Ethical and Strategic Issues in Non-Profit Resource Management

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Abstract

Most charitable non-profit organizations rely on third-party donors, rather than customers or taxed citizens, to contribute resources on a voluntary basis. This reliance on donors poses a number of ethical and strategic challenges for non-profit managers. Papers 1 and 2 explore the strategic and ethical dilemmas non-profit managers may encounter in deciding to accept or reject a financial donation. The strategic dilemma lies in determining whether a donation will improve or diminish the non-profit’s resource base and effectiveness over time. The ethical dilemma, which may be only apparent, is whether to accept a donation that stands to bring about harm. Paper 3 identifies an effort on the part of non-profit managers to lessen their reliance on voluntary donations and generate a new source of funding from health care organizations. I highlight the strategic and ethical questions that persist for managers even in this scenario.

Paper 1 used a discrete choice experiment to understand how 370 non-profit managers made tradeoffs between the dollar amount of a donation and other characteristics, including whether it is restricted or unrestricted, renewable or non-renewable, anonymous or public and made voluntarily or legally-mandated. I refer to the non-amount attributes of the donation as conditions. Participants were presented with pairs of hypothetical donations from sugar-sweetened beverage companies and asked to select which they would prefer to accept. I found that managers valued the dollar amount as the most important characteristic but were willing to
accept smaller dollar amounts when the conditions associated with larger amounts were perceived as very unfavorable. For three of the four condition attributes, non-profit managers’ stated preferences were in tension with academic perspectives on donation acceptability.

Several non-profits have garnered public pressure to reject donations from wrongdoers. Paper 2 took up the questions: What harms, if any, does donation acceptance stand to create? And, which donations, if any, should be considered impermissible to accept? Prior efforts to address these questions have viewed non-profits as inert receptacles of donor resources and drawn on ethical frameworks such as wrongful benefits and ill-gotten gains to determine acceptability. I aim to redirect the discussion about non-profit fundraising by suggesting that non-profit organizations, and the managers that represent them, take a considerably more active role in relationships with donors than has been appreciated. Rather than viewing donations as one-way transfers of resources, I argue that donations are most appropriately understood as part of an exchange between donors and non-profits. These exchanges can bring about harms that deserve to be weighed against the benefits of the donation to the non-profit. Managers may face an apparent dilemma between their fiduciary duty and their duty to avoid harm. To eliminate the need for managers evaluate the permissibility of each donation, I propose a structural solution in the form of blind trusts for non-profit fundraising.

Paper 3 describes how some social service non-profits are aiming to lessen their reliance on voluntary donors and seek paid, contractual work. I explore how Massachusetts social service providers’ responded to changes in Medicaid policy, which included new funding for hospitals to contract with social service providers. Using qualitative data collection and an institutional theory-based analysis, I found that social service providers were attempting to make their organizations appear more like health care organizations by adopting health care language,
staffing models and metrics. They undertook these changes in order to appear as ready contracting partners to hospitals and other health care delivery organizations, who were perceived as having substantial resources. These efforts raise questions about what work social services forego if they are successful in reforming themselves to behave more like health care organizations.

A central question of non-profit management is how to generate sufficient resources to sustain the organization and create societal benefit. This dissertation has highlighted the way in which non-profit managers seek to generate resources through the cultivation of relationships with external parties. The values and goals of these external parties are often imperfectly aligned with those of the non-profit, which raises questions for managers about the appropriateness and impact of potential relationships. The strategic and ethical questions explored herein are particularly pronounced in the value-laden non-profit sector but the rise in social consciousness surrounding business may present an analogous set of questions for for-profit organizations in the future. Non-profit managers are often instructed to heed the practices of their for-profit peers, yet in this case, the business community may benefit from paying close attention to the non-profit experience.
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Paper 1

What Money Can’t Buy: How Non-Profit Managers Judge the Acceptability of Philanthropic Donation Offers
Abstract

**Objective:** To quantify the influence of donation offer attributes on non-profit managers’ willingness to accept donations from a donor that poses a risk to organizational reputation or integrity.

**Data Sources/Study Setting:** Informed by focus group discussions, a discrete choice experiment (DCE) was designed to assess preferences for financial donations. The DCE presented a panel of non-profit managers in the United States 9 pairs of side-by-side donation offers and asked the managers which of the hypothetical offers they would prefer to accept. The experiment asked respondents to imagine being the manager of a health clinic that serves a vulnerable population and to consider donations from sugar-sweetened beverage companies. Donation offers varied according to 5 attributes, including (1) the amount of money offered, (2) whether the donor seeks anonymity, (3) whether the funds are restricted to specific uses, (4) whether the donation is voluntary and (5) whether the donation can be re-upped in the future.

**Data Collection:** 370 non-profit managers completed the DCE. Mixed logit models were used to estimate the influence of 5 attributes on managers’ preferences for offers.

**Principal Findings:** Participants donation offer preferences were most influenced by the dollar amount of the donation. Other attributes also increased the utility of a donation and were statistically significant, but to a lesser degree. Anonymity was consistently the least valued attribute. 44 participants (11.8%) selected the largest amount offered in each task while the remainder were willing to select a lower dollar amount offer at some point in the exercise. Participants who were employed by a health care non-profit placed less utility on all attributes, with statistically significant interaction effects detected for the amount, anonymity and voluntariness variables.

**Conclusions:** Non-profit managers value the size of a financial donation over other attributes but are willing to select lower amount offers in cases where other attributes of a donation appear to pose a risk to the non-profit.
1 Introduction

The question of how non-profit organizations, and more specifically managers, judge philanthropic offers has been garnering attention in national news. Non-profits’ reliance on voluntary contributions from donors differentiates their revenue generation model from businesses, which rely on paying customers to generate resources, and from governments, which rely on compelled taxpayers (Moore, 2000). All organizations are resource-dependent, and to some extent, dependent on sources beyond the boundary of the organization to generate needed resources (Pfeffer & Salancik, 1978). Without a steady stream of funding, essential operations that allow staff to be paid, goods and services to be purchased, and products to be delivered cease. But non-profits face a unique vulnerability because generally they are not paid by the consumers who receive goods and services (Moore, 2000). Because of this, revenue generation for non-profits requires reliance on third-party funders. These third parties are frequently individual donors, philanthropic and corporate foundations, and governments, who may provide resources through donations or grants.

This reliance on third-party funders introduces a greater sense of uncertainty to non-profit organizations compared to their for-profit counterparts. Holding early-stage startups aside, for-profit businesses have mainly one audience in mind when considering resource generation: customers. In order to generate more resources the firm needs to raise prices or sell larger volumes of products. Profits can be maximized by identifying what the customers want, in terms of both price and quality, in the product. On the contrary, non-profit organizations that rely on donations must try to meet the needs to two constituencies at once: donors who supply resources and the clients who are served (Moore, 2000). Assessing the preferences of these groups and balancing competing preferences between them poses a perennial challenge. The result is that
even well-managed non-profit organizations face substantial uncertainty about the source of future funding.

In the face of such uncertainty, many non-profits have been agnostic about the origins of donated resources. However, recent non-profit refusals of large donations have ignited a debate about whether such agnosticism is appropriate. At Harvard’s Chan School of Public Health, an offer from the Foundation for a Smoke Free America, backed by tobacco giant Phillip Morris, caused consternation in the Spring of 2018. The Dean ultimately joined more than 20 other School of Public Health Deans to rebuke the offer and pass on a sizeable sum of money that could have been put towards research with the potential for life-saving effects (Lardieri, 2018). That same year, a Texas-based non-profit that reunites migrant families refused a $250,000 from technology giant Salesforce because it counted US Customs and Border Patrol among its clients (Bach, 2018). The Sackler family’s efforts to made donations ensured that conversations about fundraising ethics extended through 2019. The Sackler family’s private company, Purdue Pharmaceuticals, faced legal action for failing to disclose known addiction risks associated with their opioid products (Meier, 2019). After decades of philanthropic giving, the Metropolitan Museum of Art and several other high profile institutions publicly declined the Sacklers’ most recent offerings (Harris, 2019).

The actions of these high-profile non-profits indicate that some donation offers may pose serious risks to a non-profit organization. Two formulations of risk appear potentially relevant to managers: risks to integrity and risks to reputation. The first is a risk to the non-profit’s integrity, wherein accepting a donation creates harms that are inconsistent with the non-profit’s purpose or mission. For example, it is plausible that an environmental organization would not want to accept a donation from an oil company if it believed that doing so would improve the oil company’s
standing and allow them to cause greater environmental damage. To the extent that non-profit managers perceive such a risk, they are faced with a difficult decision. If they accept the funding, they generate needed resources for their non-profit organization but also risk damage to their professional or organizational integrity.

The second risk is to the reputation of the organization. Holding aside ethical concerns, a reasonable manager may maintain concern that acceptance of some funding can injure the reputation of the organization. Returning to the environmental non-profit, a manager in this case may believe that no additional environmental harm will be done through the acceptance of funding but maintain a concern that association with an oil company could damage the non-profit’s reputation. Accepting funding from inappropriate sources could lead existing donors to curtail their support and prospective donors to pull back on their commitments. Hence, even with a purely strategic rationale in mind, a manager may face a challenging decision between maximizing resource availability in short run and serving the best interests of the organization over a longer term. Nothing prevents a given manager from considering both risks simultaneously.

The way in which non-profit managers weigh these risks alongside the potential benefits of accepting a donation are unclear. It has long been assumed that non-profit managers should prefer higher dollar donations over smaller dollar donations, but high-profile refusals suggest that there may be constraints on this proposition. The following question therefore deserves study: what, if any, attributes apart from donation amount influence non-profit manager behavior? No prior research on this topic has been identified.

This research is motivated by an interest in how 501c3, non-profit managers consider tradeoffs between generating resources for their organizations and maintaining integrity and
reputation. 501c3 non-profits are the largest category of the more than 30 types of tax-exempt non-profit organizations defined by the Internal Revenue Code, and include social services, community development, higher education, health care, and religious organizations (McKeever, 2018). I sought to quantify the role of dollar amount, voluntariness, restrictedness, renewability and anonymity on preferences for donation offers among non-profit managers. To do so, I recruited a sample of non-profit managers to participate in a discrete choice experiment. I asked them to imagine themselves in the role of a manager at a health clinic that treats vulnerable patients and consider a series of donation offers from a sugar-sweetened beverage (SSB) company.

2 Literature Review

2.1 Ethically Challenging Transactions and Tradeoffs

Non-profit managers that perceive a risk to the integrity of the organization may consider the decision of whether or not to accept a donation to be an ethical one. Such a conceptualization situates the decision in a broader literature related to ethically dubious transactions and ethically challenging tradeoffs (Table 1). Scholars from economics and philosophy have explored the nature of transactions that ought not to occur at all or that offend common sensibilities, while psychologists have most closely attended to the cognitive challenges of deciding whether or not to participate in such transactions. For the purposes of this paper, the transaction in question is the acceptance of a donation by the non-profit manager and the tradeoff is the manager’s perception of what is to be gained and lost by engaging in such a transaction.
Within the literature on tradeoffs, scholars have distinguished amongst those that can taint, those that generate repugnance and those that are distasteful. Philosopher Kwame Anthony Appiah’s work suggests that non-profit managers may reasonably be concerned about becoming morally tainted by the acceptance of certain donations. Appiah has most famously described moral taint as resulting “when harm is produced by others, and the contagion of their wrongdoing is transferred to a person who had no involvement in bringing about the harm (Appiah, 1986). Appiah declines to specify precisely how the wrongdoing “is transferred.” Non-profit managers, however, could consider at least two mechanisms by which a donor’s
wrongdoing is transferred to the non-profit. One can view the funding from a donor as tainted. The attribution of dirtiness to the money provides a mechanistic rationale for why the non-profit would be implicated, or tainted by, the donor’s wrongdoing. An alternative view might suggest that simple association, or more precisely, uncritical association, is sufficient to transfer taint. The two views of how a non-profit may be tainted suggest different approaches to non-profit engagement of problematic donors. If it is the money that brings the taint, a non-profit may rightly seek to limit the amount of money it accepts from a donor so as to limit the amount of taint it encounters. On the other hand, if a non-profit believes itself to be inevitably tainted by mere association, then more money should always be seen as better following the initial association. One could describe this as an “in for a penny, in for a pound” philosophy

Donations can also be considered against the backdrop of literature on repugnant transactions, defined as those that offend our sensibilities even when the transacting parties consent and profit. Economists, led by Alan Roth, are careful to be descriptive in their definition of repugnance, suggesting that repugnance creates an aversion towards those that engage, even if not necessarily among those who engage (Roth, 2007). Scholars have typically used the term to refer to controversial transactions such as selling votes, babies, human organs and sex.¹ Journalists’ indignation about some high-profile donations indicates that at least some third-party constituency has found transactions off-putting even if non-profit managers themselves have not.

Economist Elias Khalil has distinguished “distasteful” transactions from repugnant transactions on the basis that distasteful transactions rely on an evaluation of context, whereas repugnant transactions are repugnant in any setting (Khalil & Marciano, 2018). Writing with

¹ Parsing repugnance further, Michael Sandel has distinguished between “thoughtful” repugnance, which can be justified by a concern for the moral fabric of the community and “misguided” repugnance, which is merely knee-jerk (Sandel, 2013).
Alain Marciano, Khalil argues that distasteful transactions are those for which the terms of a transaction are inappropriate for the context. Using this definition, they suggest that a homeless person who is selling newspapers may find it distasteful when a passerby offers $5 but says that he has no need for the newspaper. The perception of distastefulness would be justified on the basis that the homeless man was aiming to initiate a business transaction but the passerby was offering a charitable contribution. The distastefulness arises not out of any inherent quality of the newspaper being sold, as in the case where the sale of babies is considered repugnant, but rather out of the mismatch between the seller’s interest in earning a living and the would-be buyer’s efforts to be charitable.² Non-profits may consider the acceptance of donations distasteful if a donor appears motivated solely to improve their image or win political gain in the context of a charitable donation.

If a donation stands to be tainted, repugnant or distasteful, the non-profit manager faces a tradeoff between going through with it for the purposes of generating resources or abandoning it and forfeiting resources. The psychology literature on taboo tradeoffs highlights the cognitive difficulty that such a decision poses. Taboo tradeoffs are those that psychologists refer to as pitting sacred values, or those that a moral community treats as possessing transcendental significance, against secular ones (Lichtenstein et al., 2007; Tetlock, 2003; Tetlock et al., 2000, 2017). While many decisions require people to make tradeoffs, those that require the comparison

² Research by Jennifer Jordan and others on corporate responses to crises aligns well with such a view of distastefulness. In lab studies, they found that when corporations displayed interpersonal proximity to victims, such as by sending top management to distribute goods during an emergency, but they did not accompany the proximity with effective help, the corporate reputation was more harmed than it would have been had it done nothing. They termed this interaction between proximity and helpfulness “the Strategic Samaritan” effect and suggest that participants perceived the corporation as acting self-interestedly in a moment of crisis (Diermeyer, The Strategic Samaritan 2012).
of goods that are constitutively incommensurable are especially demanding. According to
psychologist Phillip Tetlock,

Constitutive incommensurability can thus be said to exist whenever comparing values
subverts one of the values (the putatively infinitely significant value) in the trade-off
calculus. Taboo trade-offs are, in this sense, morally corrosive: The longer one
contemplates indecent proposals, the more irreparably one compromises one's moral
identity. To compare is to destroy (Tetlock et al., 2000).

Consider a non-profit manager who perceives a donor to be attempting to use their donation for
the purchase of a sacred good, such as honor for individuals or political influence for firms.
Alternatively, one can imagine an instance where the donor is not necessarily seeking the
purchase of something sacred but the non-profit manager feels that acceptance would cost
something sacred, such as non-profit integrity or autonomy. In studying the behavior of self-
identified ethical investors, researchers characterized transactions with unethical companies as
sacrificing “ethical performance” (Berry & Yeung, 2013).” Legal scholars interested in
corruption have used the terminology of “sacrifices to integrity,” defined as consistent adherence
to a set of guiding principles (Paine, 1994). Legal theorist Jonathan Marks concerns himself
primarily with losses of trustworthiness when governments accept voluntary funding from
business (Marks, 2019).

Under conditions of scarcity, taboo tradeoffs may be unavoidable. Research shows that,
although people respond with moral outrage, they often acquiesce when decisions are
rhetorically reframed as routine or tragic tradeoffs. Hence, many countries have placed a value
on human life for the purposes of rationing medical care (Newhouse, 2002; Vallejo-Torres et al.,
2016) and insurance companies place a value on human life for the purposes of paying out life
insurance policies.
Even if a manager perceives no ethical or moral dilemma in the decision about whether or not to accept the money, they may still face a tradeoff between generating resources and risking reputation. Researchers have used the idea of “reputational losses” as a way to describe the losses a business incurs when their own wrongdoing is publicly discovered (Heinze et al., 2014). On this point, the sociological literature suggests that organizations experience reputational damage by indicating a lack of consistent commitment to their own purpose or mission. Assuming that reputation is not a sacred good, a tradeoff between reputation and resources may be said to be routine rather than taboo. Whether the tradeoff in question is taboo or routine, non-profit managers may find weighing risks and benefits of a donation offer to be a challenge.

2.2 Willingness to Accept

Tradeoff reasoning is widely viewed as a minimal prerequisite for economic rationality. Utility maximization presupposes that people routinely factor reality constraints into their deliberations and explicitly weigh conflicting values. Indeed, economic survival in competitive markets requires that people make at least implicit tradeoffs between objectives such as work versus leisure, saving versus consumption, and consumption of alternative products (Azari et al., 2012). A key assumption in this project is that non-profit managers are consumers of and make choices about donation offers that they wish to accept.

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3 Jensen, Kim and Kim suggest firm reputation improves or declines based on stakeholders’ perception of whether an organization’s behavior conforms to the role they expect it to play. On their account, a non-profit’s reputation would be damaged in cases where stakeholders perceived it to be acting opportunistically in its own self-interest rather than in the charitable interests of the community.

4 Nevertheless, some are deployed less normatively than others. While those writing about reputation do so without regard for whether companies ought to maintain a strong reputation, writers focused on integrity and trustworthiness often prescribe the maintenance of such organizational assets as a duty of a manager.
With this in mind, this paper investigates non-profit managers’ willingness to accept (WTA) various configurations of philanthropic donations. WTA is the lowest price a person would be willing to accept to part with a good or commit to an action (Acquisti et al., 2013). Readers may be more familiar with the concept of willingness to pay (WTP), defined as the maximum price a person would be willing to pay to acquire a good. The difference between the concepts lies in whether or not the person is looking to procure the good or being asked to part with it.\(^5\)

In this case, the action in question is acceptance of a donation from a health-harming company. To the extent that managers see such an action as costing the non-profit in terms of reputation or integrity, my research explores non-profit managers’ willingness to accept donations that require parting with reputation or integrity. A willingness to accept of zero would indicate that a non-profit manager was willing to part with these organizational assets in return for any amount of money. An infinite willingness to accept would indicate that a non-profit manager was unwilling to part with these assets no matter how much was offered.

Professional marketers and academics routinely construct reliable mappings of consumers’ preferences for ordinary goods that are bought and sold at objective prices. Such mappings indicate what price consumers are willing to pay for an array of consumer goods. Policy researchers have also begun to use conjoint experiments to identify individual preferences for various policy proposals, in which case the mappings indicate the utility that participants assign to various policy proposals (Elias et al., 2016; Kruk et al., 2016; Larson et al., 2015; Mentzakis

\(^5\) Repeated studies have found that WTA tends to be larger than WTP for an array of tangible and intangible goods (see for instance (Grutters et al., 2008)), which has perplexed those economists who assume rational actors and fixed, underlying value of goods. The best supported theory for why people’s WTP and WTA may differ is loss aversion, or a disproportionate weighting of losses relative to gains (Kahnemann, Tversky, Thaler).
et al., 2014; Seghieri et al., 2014). In the present study, the goal is to map non-profit managers’ preferences for donations of money. In other arenas of life, it may be assumed that people would consistently prefer the donation of the largest possible amount. This research investigates whether and how other factors may influence non-profit managers’ preferences.

In the business ethics literature, a handful of studies have investigated professionals’ willingness to accept moral transgressions in return for money. Robert Berry and Fannie Young conducted a conjoint analysis on self-identified ethical investors with the goal of understanding “the amount of financial reward necessary to cause an ethical investor to accept a switch from good ethical performance to poor ethical performance (Berry & Yeung, 2013).” Ethical investors were shown to vary in their willingness to sacrifice ethical for financial performance, and hence to display more heterogeneity than the all-encompassing “ethical” investor label implies. William Drover and colleagues used a conjoint experiment to assess American entrepreneurs’ willingness to accept money from investors with high and low ethical reputations. They found that ethical reputation was a more important factor than past investment success and offer of value-added services. However, the researchers also found that as the financial consequences of rejecting money grew, the willingness to partner with unethical investors also grew (Drover et al., 2014).

No study of these ethical tradeoffs in the context of organizational ethics has been conducted in a non-profit setting. Members of the press have critiqued non-profits for pursuing financial gain at any cost, but there has so far been no attempt to identify relevant criteria for adjudicating donations or to determine how non-profits make tradeoffs amongst criteria. This study aimed to answer the following research questions: (1) To what extent do non-profit managers view attributes of donations other than the dollar amount as relevant in determining
preferences for acceptance? (2) How do non-profit managers make tradeoffs amongst the various attributes?

2.3 Health-Harming Companies and Health Care Providers

This experiment asked non-profit managers to imagine themselves managing a non-profit health clinic and consider a donation from a company whose product has been shown to harm health. Health-related non-profits have a long, if controversial, history of taking money from companies that produce health-harming products. Tobacco companies are the best known example, having funded considerable academic research as well as health-related programming in spite of the health-harming effects of tobacco products.6 Historian and ethicist Allan Brandt used documentary evidence from the Master Settlement Agreement (MSA) to argue that tobacco companies had used their research funding to intentionally obfuscate the link between smoking and cancer (Brandt, 2007). To do so, the companies did not necessarily need to control the specific findings of any medical research but instead used their wealth to influence the balance of attention paid to behavioral versus genetic or other determinants of smoking. In the wake of Brandt and others’ findings to this effect, a number of schools of medicine and public health created categorical policies refusing tobacco funding (Finder, 2008). This history rendered Phillip Morris’ 2017 creation of the Foundation for a Smoke Free World with over $1 billion in funding for harm-reduction research especially divisive among academics (Legg et al., 2019).

Tobacco funding for public health campaigns and interventions have been only modestly less controversial. Company-funded awareness campaigns that were ostensibly designed to

6 Cigarettes cause cancer and other diseases, as the Surgeon General first concluded in its historic 1964 report, and health care systems bear a sizable share of these tobacco-related costs. Six studies between 1976 and 1993 found smoking accounted for between 6 and 8 percent of U.S. health care costs, which amounted to more than $50 billion in 1993, and a quarter of state Medicaid expenditures.
discourage young people from smoking were surreptitiously designed to have the opposite effect, according to forensic marketers (Henriksen et al., 2006). Recently, tobacco company advertisements that claimed to encourage existing smokers to switch to vaping were found to be “patently youth-oriented” and designed instead to attract a new set of consumers to nicotine products (Belluz, 2019). On top of decades-old evidence about tobacco’s manipulation of scientific research, this recent evidence that tobacco companies aim for, and accomplish, surreptitious ends has rendered tobacco companies a near “pariah” status for accepting funding or affiliation by health organizations. Nevertheless, many non-profit organizations, including the International Labor Organization and United Negro College Fund, maintain longstanding funding relationships with tobacco companies (Levin, 2015; Rubin, 2018).

More recently, health-related non-profits have faced consternation about whether or not to accept funding from pharmaceutical companies. Pharmaceutical companies pose a complex dilemma for health-related non-profits because the majority of these companies’ products are perceived to be health-improving and therefore wholly consistent with non-profit aims. Pharmaceutical companies have a significant history funding research on the development of new therapies as well as community-focused disease surveillance and health promotion programs. Concern about the acceptance of such funding began to rise with the realization that pharmaceutical representatives used giveaways to influence health care providers’ prescription writing (Fickweiler et al., 2017; Wood et al., 2017). Evidence of influence on clinical practice indicated an uncomfortable level of corporate manipulation and spurred the creation of a new wave of institutional conflict-of-interest policies (Affairs, 2014; King & Bearman, 2017).

The opioid epidemic intensified existing concerns by placing substantial public focus on the marketing and sale of addictive opioids and specifically, on the role played by Purdue
Pharmaceuticals. Non-profit concern about associating with pharmaceuticals spilled beyond the health care sector when it became clear that the Sackler family, which had privately owned Purdue, had been celebrated benefactors of a wide range of non-profits (Arkin, 2019). In the press, critics suggested that acceptance of Sackler funding was tantamount to minimizing the harms of the opioid epidemic. If this critique were true of art museums, certainly it was true of health-related non-profits. Tufts University made the decision to remove the Sackler name from its school of biomedical sciences in 2019 (Barry, 2019).

The SSB industry, the focus of the experiment presented here, provides a third example of an industry with which health-related non-profits have documented concern. Across dozens of studies, consumption of SSBs has been repeatedly associated with increased risk of obesity as well as dental health concerns (Allcott et al., n.d.; Bleich & Vercammen, 2018; Marshall et al., 2003; Nestle, 2015). Leading SSB companies have developed substantial footprints in philanthropic funding for health. Coca Cola has created a global health funding portfolio, teaching researchers and ministry of health personnel in low-income countries the secrets of its supply chain (Linnander et al., 2017). PepsiCo has embraced health as a priority in its 2016-2025 strategic plan. Its corporate foundation lists a focus on nutritious food and nutrition education as one of its four pillars (Nooyi & Govindarajan, 2020). In 2019, Nason Hassari and colleagues analyzed communications between staff at the Centers for Disease Control and Coca-Cola executives, obtained via a Freedom of Information Act request, finding that the company used donations to the CDC’s affiliated 501c3 foundation to try and influence federal nutrition policy (Hessari et al., 2019).

Businesses’ increasing support for corporate giving and corporate social responsibility (CSR) programs makes it more likely that companies whose products may either directly or
indirectly pose health risks will consider giving donations or grants to what they see as pro-social causes. Defenders of corporate giving and CSR suggest that this behavior should be applauded because the alternative scenario is one in which for-profit companies make no effort to improve the public interest and simply retrench to maximize their self-interest. Critics feel that corporate giving and CSR programs, which may include donation-making to non-profits, should be critiqued because the alternative scenario is one in which businesses pay taxes (Giridharadas, 2018; Reich, 2018) or reform their core businesses [to be more in the public interest?] (Asslaender & Kast, 2018; Doane, n.d.), which would produce more long-term value. For now, corporate giving and corporate social responsibility programs continue to be mostly celebrated by the public (Bower, 2011) and few pro-social causes are as widely endorsed as health (Nishinaga et al., 2013; USAID, 2014). Thus, for the foreseeable future, health-related non-profits are likely to continue to find themselves in the position of having to adjudicate what sources and terms of corporate funding are acceptable to them.

3 Methodology

3.1 Sampling

Roughly 10% of American workers are employed by 501c3 non-profit organizations (Salamon & Newhouse, 2019). More than 50% of those employees work for non-profit hospitals or universities (Salamon & Newhouse, 2019). This concentration is explained, in part, by the majority of non-profits (84.6%) having no employees at all. Northeast and Mid-Atlantic states tend to have above average employment coming from the non-profit sector, while the Southeast and West are more likely to have below average non-profit employment. The majority of non-profit sector employees are female, with estimates putting the percentage between 70 and 75% in 2016 (Lombardi, 2019; Preston & Sacks, 2010). Non-profits all tend to employ overwhelmingly
white workforces as evidenced by a 2015 national analysis indicating that only 18% of non-profit staff were people of color (Fernandez & Brown, 2015). Little information is available on what proportion of workers are in management roles.

I focused this research on managers’ perceptions of donation acceptability because managers are accustomed to making tradeoffs between competing organizational priorities, and therefore are comfortable making cognitively difficult tradeoffs and familiar with the hypothetical donation offer scenarios presented in the survey. To the extent that managers are in a position to make choices on behalf of a non-profit organization, their responses to the discrete choice experiment may provide more realistic insight than other workers into how organizations are likely to behave and be impacted under various conditions.

I recruited a convenience sample of non-profit managers through an online marketplace of paid panel vendors (Lucid). The marketplace allows researchers to post their surveys and panel vendors to disseminate the opportunity to willing participants. I specified that survey-takers must be US residents, over 18 years of age and working full-time as a manager at a 501c3 non-profit in the United States. I aimed to recruit managers by limiting inclusion criteria to people who indicated their job title to be one of the following upon registration with the paid panel: (1) Assistant manager, (2) Manager or director, (3) Vice President or (4) CEO or President. Panel vendors identified research participants through emails, push notifications and in-app pop-ups.

Non-profit managers retained the option to opt-out of research at any point prior to or during their participation. I included a consent form at the start of my survey which asked respondents to confirm that they were managers at a 501c3 non-profit and offered them an opportunity decline participation. Duplicate cookies and IP addresses were flagged and screened out of the sample to ensure participants did not attempt repeated completes. Each completion
generated a unique identification code that I cross-referenced with the online marketplace in order to trigger payment to individuals.

I paid the online marketplace a fixed price per completion which was then distributed to the paid panel vendors. Panel vendors paid respondents a portion of this fixed price based on their existing arrangements with panel enrollees. This payment may have taken the form of cash, gift cards, or loyalty reward points. Researchers evaluated the quality and representativeness of samples derived from the online marketplace in 2019, concluding it to be “suitable for evaluating many social scientific theories (Coppock & McClellan, 2019).”

3.2 Preference Elicitation Using a DCE

The Qualtrics survey included a series of demographic questions and a discrete choice experiment (DCE). Two terms—DCE and conjoint analysis (CA)—are sometimes used interchangeably to refer to preference elicitation for research purposes and it is worth distinguishing the unique aspects of each method (Louviere et al., 2010).

DCEs ask respondents to state their preferences among hypothetical alternative scenarios, goods or preferences. Such experiments are particularly valuable in the absence of revealed preference data or when revealed preference data contain confounded attributes, even if they may not be a perfect replacement. The presented choices have different characteristics, forcing consumers to make tradeoffs. They do this by presenting participants with side-by-side choices and asking them which they would prefer. This aspect of the DCE is intended to mimic real life where not all preferences may be able to be satisfied. This method is grounded in random utility theory (RUT), which posits that the value of a good or service to the individual is a linear function of its attributes and unobserved individual factors, such as taste (Ryan, 2004). DCEs have been shown to be easy to administer and have demonstrated good test-retest reliability and
convergent validity with related instruments, such as standard gable. On account of these methodological strengths, DCEs have been used widely in both business and health policy settings.

A conjoint analysis is an econometric procedure designed to elicit the value that participants place on various characteristics of a good or service. Conjoint analyses were originally used by business scholars in marketing to elicit consumer preferences, including which dimensions of a product matter more (or less) and how consumers make tradeoffs among these dimensions. Today, it is widely used by scholars in a broad set of academic domains. Papers using this method have appeared recently in a wide array of disciplinary journals: *Marketing Science, Journal of Legal Studies, American Economic Review, The Lancet and Social Science and Medicine* (Acquisti, John, & Loewenstein, 2013; Larson et al., 2015; Rockers et al., 2013). Traditional conjoint analyses presented a hypothetical product to survey respondents one at a time and asked respondents to rate the desirability of the product, often on a scale of 1-10. More recently, conjoint analyses have presented respondents with multiple products at once in order to mimic a consumer’s experience browsing store shelves or online marketplaces. In these cases, respondents may be asked to rate each product 1-10, rank the products according to preference, or select one product to purchase. Conjoint survey instruments that ask respondents to make a discrete choice among multiple products (sometimes referred to as choice-based conjoint) bear the closest resemblance to DCEs. The key analytic distinction lies in the former method’s reliance on Conjoint Measurement (CM) and the latter method’s reliance on random utility theory (RUT).
Based on my reliance on RUT as a theoretical basis for data analysis, I use the terminology of DCE throughout (Lagarde & Blaauw, 2009). Respondent data was used to assign a utility value to each attribute and level of the donation, providing useful information to researchers looking to understand how managers are weighing philanthropic opportunities.

3.3 DCE Design

For the DCE scenario, I asked participants to imagine a series of donation offers from a sugar-sweetened beverage company. I selected SSB rather than tobacco, pharmaceuticals or another type of company based on a goldilocks theory of donor acceptability. If respondents perceived the hypothetical donor to be too problematic—for instance, tobacco—they may have felt that they would not accept any money under any circumstances and the choices they recorded in the survey would have been effectively random. On the other hand, if respondents perceived the donor as being uncontroversial—for example, an organic produce brand—then non-profit managers may have faced no need to make tradeoffs and instead consistently accepted the higher-amount donation. In order to elicit information about how managers made tradeoffs, it was critical to select a hypothetical donor with a medium level of health-harming impacts. In a preliminary survey, a generic SSB was deemed more acceptable than a generic tobacco company but less acceptable than a generic pharmaceutical company.

I asked participants to imagine themselves in charge of a non-profit health clinic in order to emphasize the moral urgency of the non-profit’s work and to position the health-harming impacts of SSBs as relevant for the non-profits’ work. As is common for health clinics nationwide, I indicated that the clinic was financially precarious and reliant on fundraised dollars.

The resulting hypothetical scenario was worded as follows:
Imagine you are in charge of a non-profit health clinic that provides primary and preventive care to a vulnerable population. Most years, your budget is approximately $15 million and you barely break even financially. About $5 million of your revenue typically comes through grants, with the remainder coming from Medicare and Medicaid reimbursements.

In a stroke of luck – you have been approached by two sugar-sweetened beverage (soda) companies who would like to make donations that would be helpful in sustaining your mission.

As is standard, respondents were asked to imagine making a real choice, taking into account only the attributes described, and instructed that there were no right or wrong answers. Taking a cue from political science surveys, I included the following phrasing to indicate that a range of views were legitimate and proactively counter desirability bias: “Some people think that it is important to choose donors carefully, while others think that all financial donations are equally valuable.”

I conducted a series of informational interviews in order to identify salient attributes of a donation to non-profit managers. During the summer of 2019, I spoke with 20 managers from a broad swath of non-profit sectors including health care, social services, education and museums. These conversations generated a lengthy list of candidate attributes of a donation. In order to narrow this list, I conducted 3 focus groups with managerial staff at 2 health care non-profits (n=5 individuals and n=9 individuals) and 1 education non-profit (n=8 individuals). Focus group participants identified the most important attributes to them, ranked them and discussed how these attributes influenced the choice of funders. I also asked each focus group to share how they conceptualized typical options within a given attribute. For example, when it became clear that the amount of a donation was salient, I asked each focus group to describe what a low, medium and high donation amount would be for them. The final DCE attributes and levels are included in Table 2. Together, I refer to the non-amount attributes as “conditions” on the donation.
Table 2: Concepts, Attributes and Levels

<table>
<thead>
<tr>
<th>Concept</th>
<th>Attribute</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount of the Donation</strong></td>
<td>Amount (4)</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5 Million</td>
</tr>
<tr>
<td><strong>Conditions of the Donation</strong></td>
<td>Anonymity (2)</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Anonymous</td>
</tr>
<tr>
<td></td>
<td>Frequency (2)</td>
<td>One time only</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential to re-up</td>
</tr>
<tr>
<td></td>
<td>Restrictedness (2)</td>
<td>Restricted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td></td>
<td>Voluntariness (2)</td>
<td>Involuntary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Voluntary</td>
</tr>
</tbody>
</table>

This selection of attributes and level gave rise to 64 possible donation offer configurations (4 x 2 x 2 x 2 x 2). To avoid asking participants to consider each combination of attributes alongside each other, I opted to have respondents complete 8 tasks involving a choice between two donation offers. Having respondents complete multiple tasks helps to reduce measurement error but must be balanced against the risk of respondent fatigue. These 8 tasks were randomly generated by Sawtooth Software, where the DCE survey was hosted. The software generates each participant’s tasks in order to optimize D-efficiency, a measure that maximizes orthogonality and level balance while minimizing overlap among attribute levels (Sawtooth Software). Attribute levels for each task are chosen independently of other attribute levels and each level of an attribute is shown an approximately equal number of times. Designing the experiment in this way allows for the estimation of main effects and interaction effects. I added one fixed choice task which appeared to all respondents in the fifth position in order to assess internal predictive validity of the model.

The final questionnaire included 9 choice tasks (8 random and 1 fixed). Tasks appeared on the screen one at a time. Donation offers were labeled as “Soda Company #1” and “Soda
Company #2,” and respondents were asked to select the donation offer they would prefer to accept on behalf of the health clinic. No opt-out choice was given in order to avoid the risk that some participants would “virtue signal” by consistently selecting neither donation offer.

I included two attention check questions to identify participants who failed to understand DCE scenarios or instructions. The first asked respondents to confirm how much of the hypothetical clinic’s revenue was generated through grants and the second asked respondents to confirm how many donation offers would be shown per screen.

The survey instrument also collected information on demographic information both for the individual non-profit manager and their employer (Table 3). Individual-level demographic variables included gender, state of residency, race/ethnicity, education, political affiliation, managerial level and proportion of time spent fundraising. Organization-level demographics included the sector, annual budget, presence or absence of a budget surplus, reliance on fundraised dollars and presence or absence of a gift acceptance policy.
I cognitively tested the survey with a handful of students by sitting with them as they filled out the survey. The students indicated where they found the phrasing or other survey design elements unclear and I revised the instrument accordingly. I then pilot tested it on a sample of 50 Mechanical Turk workers who were also given an opportunity to provide feedback in an open text box at the end of the survey. I again made final revisions before fielding the survey with the paid panel. The survey was administered online through Qualtrics. Data were recorded anonymously. The survey took 15 minutes to complete. All data collection took place in December of 2019. The Harvard Institutional Review Board provided ethical review for the study and deemed it exempt.

3.4 Statistical Analysis

Data were imported into Stata v16.0 and cleaned. Univariate statistics were calculated for demographic characteristics. A mixed logit model was fit to DCE data to estimate attribute utilities. The mixed logit model generalizes the standard logit by allowing the parameters associated with observed variables to vary randomly across individuals. This feature of the model allows heterogeneity in preferences across respondents to be captured. Mixed logit also accounts for repeated choices by the same respondent. Mixed logit has been widely used in business ethics as well as health economics.

Mixed logit models produce two main parameters: the mean utility and the standard deviation, the latter reflecting preference heterogeneity in the population. Significant preference heterogeneity suggests unmeasured factors influencing the strength and direction of preference. All mixed logit models were fit using Stata’s mixlogit command and were specified with normally distributed parameters, independent covariance structure and 50 Halton draws. The
dependent variable was the non-profit managers’ response to a donation offer, coded as reject (0) or accept (1).

Logit models generate coefficients in the form of log-relative odds. The coefficient associated with each attribute is the change in the natural logarithm of the odds ratio of the outcome (Y) associated with a one-unit increase in the independent variable (X). The coefficients for each attribute level represent the gain or loss in utility of moving from the base level to that level and can be interpreted by calculating the marginal rate of substitution from one level to another. Because one of the attributes is dollar amount, one can interpret the marginal rate of substitution between another attribute and dollar amount as a willingness to pay. Such an interpretation of coefficients rests on a key axiom of random utility theory that subjects are willing to trade one attribute against another to maximize their utility.

The effect of demographic characteristics (at both the individual and organizational level) on choice of donation entered the model as a set of interaction terms between these variables and the donation attributes. Interactions occur when the size or direction of the association of an attribute and choice of donation offer depend on the value of a demographic variable.

I performed several sensitivity and validity checks. I confirmed the base model findings through alternative model specifications, identified and excluded respondents with dominant preferences and examined in-experiment predictive validity of the mixed logit model by comparing model-predicted donation choice in the fixed task with respondent’s actual choice.
4 Results

4.1 Demographics

428 people consented to participate in the Qualtrics survey and 426 attested that they worked at a non-profit. 407 completed the demographic portion in full and 373 completed the DCE in full. I excluded 3 respondents who failed the attention checks, resulting in a sample of 370. These managers completed 3,330 tasks and evaluated 6,660 donation offers.

Two thirds of participants were women (Table 3) and slightly more than three quarters were white (76.5%). Slightly more than one quarter had earned less than a Bachelor’s degree (26.2%), with the remainder roughly split between holding a Bachelor’s degree (37.8%) and holding more than a Bachelor’s degree (35.9%). The plurality of the sample identified as a Democrat (44.6%), with just over one-quarter each identifying as a Republican (26.7%) and Independent (25.9%).

Participants were well distributed amongst managerial levels. 16.4% identified themselves as Presidents or CEOs of non-profits and 31.3% indicated that they reported to the CEO or President. Together, these C-suite participants make up just under half of the sample (47.7%), with the remainder of participants reporting to other levels of management (53.3%). The majority of the sample spent less than 25% of their workday fundraising (56.2%), while only 10% spent 50-75% of their time or more than 75% on the task.
Table 3: Individual-Level Demographics of Respondents (n=370)

<table>
<thead>
<tr>
<th>Demographics</th>
<th>n (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>122 (32.9)</td>
</tr>
<tr>
<td>Female</td>
<td>247 (66.8)</td>
</tr>
<tr>
<td>Non-Binary</td>
<td>1 (.3)</td>
</tr>
<tr>
<td>Race</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>283 (76.5)</td>
</tr>
<tr>
<td>Non-White</td>
<td>87 (23.5)</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Less than Bachelor’s Degree</td>
<td>97 (26.2)</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>140 (37.8)</td>
</tr>
<tr>
<td>More than Bachelor’s Degree</td>
<td>133 (35.9)</td>
</tr>
<tr>
<td>Political Affiliation</td>
<td></td>
</tr>
<tr>
<td>Democrat</td>
<td>165 (44.6)</td>
</tr>
<tr>
<td>Republican</td>
<td>99 (26.7)</td>
</tr>
<tr>
<td>Independent</td>
<td>96 (25.9)</td>
</tr>
<tr>
<td>Prefer Not to Say</td>
<td>10 (2.7)</td>
</tr>
<tr>
<td>Managerial Position</td>
<td></td>
</tr>
<tr>
<td>CEO or President</td>
<td>61 (16.4)</td>
</tr>
<tr>
<td>Report to CEO or President</td>
<td>115 (31.3)</td>
</tr>
<tr>
<td>Report to Other Senior Management</td>
<td>116 (31.3)</td>
</tr>
<tr>
<td>Report to Other Management</td>
<td>78 (21.0)</td>
</tr>
<tr>
<td>Time Spent Fundraising</td>
<td></td>
</tr>
<tr>
<td>Less than 25%</td>
<td>208 (56.2)</td>
</tr>
<tr>
<td>25-50%</td>
<td>88 (23.8)</td>
</tr>
<tr>
<td>50-75%</td>
<td>37 (10)</td>
</tr>
<tr>
<td>More than 75%</td>
<td>37 (10)</td>
</tr>
</tbody>
</table>

The organizations at which respondents were employed represented a diverse set of non-profit organizations (Table 4). The most common organizational types were health care (20.3%), churches or religious organizations (20.8%) and social service organizations (20.8%). 32 participants (8.6%) initially reported being employed by organizations that did not fit the given choices and wrote in their answers. These respondents wrote their employer types into an open text box. Their employers included non-profits focused on environmental conservation, animal rights, and international development among others. More than a third of participants reported working for a non-profit with an annual budget less than $1 million (35.4%) and slightly less than one-third were stationed at an organization with a budget of $1-10 million (31.9%); the remainder worked at organizations with larger budgets. Bivariate analyses indicated that health care organizations constituted the majority of (69.2%) of the non-profit employers with more
than $100 million in annual revenue while only one participant worked at a church or religious organization with such a large budget. Forty five percent of participants reported that their organization had a gift acceptance policy to guide managerial action in accepting or rejecting a donation, while nearly 30% reported no such policy existed; the remainder did not know whether such a policy existed. Among those non-profits with a gift policy in place, health care organizations again constituted the most common type (31.3%).

Table 4: Organizational-Level Demographics of Respondents (n=370)

<table>
<thead>
<tr>
<th>Demographic</th>
<th>n (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Type</td>
<td></td>
</tr>
<tr>
<td>Health care</td>
<td>86 (23.3)</td>
</tr>
<tr>
<td>Church or religious</td>
<td>77 (20.8)</td>
</tr>
<tr>
<td>Social service</td>
<td>77 (20.8)</td>
</tr>
<tr>
<td>Community development</td>
<td>27 (7.2)</td>
</tr>
<tr>
<td>Professional association</td>
<td>21 (5.6)</td>
</tr>
<tr>
<td>Foundation</td>
<td>19 (5.1)</td>
</tr>
<tr>
<td>Advocacy</td>
<td>13 (3.5)</td>
</tr>
<tr>
<td>Museum, library or art</td>
<td>8 (2.1)</td>
</tr>
<tr>
<td>Higher education</td>
<td>9 (2.4)</td>
</tr>
<tr>
<td>Other</td>
<td>33 (8.9)</td>
</tr>
<tr>
<td>Employer Budget</td>
<td></td>
</tr>
<tr>
<td>Less than $1 Million</td>
<td>131 (35.4)</td>
</tr>
<tr>
<td>$1-10 Million</td>
<td>118 (31.9)</td>
</tr>
<tr>
<td>$10-100 Million</td>
<td>74 (20)</td>
</tr>
<tr>
<td>More than $100 Million</td>
<td>39 (10.5)</td>
</tr>
<tr>
<td>Missing</td>
<td>8 (2.1)</td>
</tr>
<tr>
<td>Budget Surplus</td>
<td></td>
</tr>
<tr>
<td>Run a Deficit</td>
<td>49 (13.2)</td>
</tr>
<tr>
<td>Break Even</td>
<td>118 (31.9)</td>
</tr>
<tr>
<td>Run a Surplus</td>
<td>139 (37.6)</td>
</tr>
<tr>
<td>Missing</td>
<td>64 (17.3)</td>
</tr>
<tr>
<td>Proportion of Annual Budget Fundraised</td>
<td></td>
</tr>
<tr>
<td>0-20%</td>
<td>147 (39.7)</td>
</tr>
<tr>
<td>20-40%</td>
<td>70 (18.9)</td>
</tr>
<tr>
<td>40-60%</td>
<td>50 (13.5)</td>
</tr>
<tr>
<td>60-80%</td>
<td>37 (10)</td>
</tr>
<tr>
<td>More than 80%</td>
<td>61 (16.4)</td>
</tr>
<tr>
<td>Missing</td>
<td>5 (1.3)</td>
</tr>
<tr>
<td>Gift Policy</td>
<td></td>
</tr>
<tr>
<td>Present</td>
<td>169 (45.7)</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>92 (24.8)</td>
</tr>
<tr>
<td>Absent</td>
<td>108 (29.2)</td>
</tr>
<tr>
<td>Missing</td>
<td>1 (.3)</td>
</tr>
</tbody>
</table>
4.2 Mixed Logit Models

In an assessment of attribute dominance, I found that 44 respondents (11.89%) chose the donation offer with the larger amount in every task they completed. In comparison to the full sample, these respondents were less likely to be female (54.55 vs 66.7%), more like to be white (86.36 v 76.4%), more likely to be Republican (31.82 v 26.7%) or Independent (34.09 v 25.9%) and less likely to work in health care (11.36 vs 23.3%). These respondents may have exhibited dominant preferences because they believed the amount to be the only important attribute or as a shortcut heuristic for decision making in a scenario they perceived to be too complex (Scott, 2002).

Table 5 summarizes the key parameters of the base model in which the dependent variable was acceptance (1) or rejection (0) of a donation offer and all attribute variables were treated as random effects. I observed very low correlations amongst attributes, the largest of which was between restrictedness and voluntariness (.11), so no correlation among attributes was specified. This base model achieved a slightly better measure of overall fit than an alternative specification in which amount variables were treated as fixed variables (-1391.32 vs -1413.51.) The two models generated very consistent estimates of part-worth utilities. A side-by-side comparison of the two is included in the Appendix.

The greatest predictors of donation offer acceptance was dollar amount, which was coded as a series of dummy variables with $100,000 as a referent (\( \beta = 1.30 \) for $500,000, 2.57 for $1 Million and 4.55 for $5 Million). Whether or not a donation was unrestricted (\( \beta = .93 \)), renewable (\( \beta = 1.01 \)) or voluntary (\( \beta = 1.00 \)) had approximately the same importance for participants’ decision to accept. Whether or not a donation was anonymous had the least importance (\( \beta = .48 \)).
Standard deviation estimates were significantly different from the null (p<.01) for all attributes.

Figure 2 shows the utility gains at each attribute level, assuming all others are fixed.

**Table 5: Base Model Parameters**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Coefficient</th>
<th>SE</th>
<th>SD</th>
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<td>1.2</td>
<td>.13</td>
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<td>.08</td>
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</tr>
<tr>
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</tr>
<tr>
<td>Log likelihood ratio chi square</td>
<td>171.98</td>
<td></td>
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</table>

*p<.05, **p<.01

Respondents demonstrated a preference for unrestricted as opposed to restricted donations, renewable as opposed to one-time donations, voluntary donations as opposed to legally mandated donations, and anonymous donations over public donations. Mathematically speaking, these coefficients are the change in the natural logarithm of the odds ratio of the outcome (acceptance/rejection) that is associated with a one-unit increase in the attribute level. Positive log odds correspond to higher odds. For example, a person who was offered a $5 million grant had 94.63 (e^4.55) times the odds of a person who was presented with a $100,000 offer to accept, all else being equal. Using the same logic, a person who was presented with an offer for an unrestricted grant had 2.53 (e^,.93) times the odds of someone who was presented with a restricted grant to accept and a person presented with an anonymous offer had 1.61 (e^,.48) times the odds to accept.
Several other sensitivity checks indicated that the base model was robust. I dropped the lowest-level managers from the sample and re-ran the model (n=78) with no substantive changes to parameter estimates. All remained in similar relationship to one another and statistically significant (see Appendix, Table S2). I re-ran the base model with dominant preference respondents excluded (see Appendix, Table S3) and found smaller parameter estimates for dummy variables representing the offer amount but otherwise consistent results with the base model. I assessed the predictive validity of the base model by comparing the model-predicted choice of donation in the fixed task with respondents’ actual choice. The model correctly predicted a high proportion of the actual choices made in fixed task: 98.7%.

4.3 Scenario Analysis

I used the data from the base model to further explore the utility that non-profit managers derived from the condition attributes. I predicted the probability that a non-profit manager would choose the best-case scenario, in which all conditions were favorable according to the average participant, over worst-case scenario, in which all conditions were unfavorable. A best-case scenario means the donation would be unrestricted, anonymous, voluntary and renewable. At
each dollar amount level, 91.58% of non-profit managers would prefer to accept the donation with favorable conditions (Table 6). Participants that would prefer the worst-case scenario would presumably do so because they had different preferences about which level of one or more attributes was preferred. For instance, some participants preferred to accept money publicly, rather than anonymously, even though on average anonymous money was preferred.

I also predicted the probability that a manager would be willing to accept a smaller dollar donation with favorable conditions over the next largest dollar one with unfavorable conditions (Table 6). When presented with a choice between a best-case $100,000 donation with and a worst-case $500,000 donation, roughly four in five of managers would select the smaller dollar donation. The same proportion would do so when presented with the same choice between a $500,000 and $1 million donation. As the dollar amounts get larger, however, the predicted probabilities change considerably. When presented with a choice between a best-case $1 million donation and a worst-case $5 million donation, I estimate that two-thirds of non-profit managers would select the smaller dollar donation and one-third would accept the larger dollar donation. Even when the worst-case amounts grow larger, non-profit managers would prefer the best-case smaller dollar donation. Only at the $5 million level would a worst-case donation win out over a best-case $100,000 donation.

4.4 Interaction Models

The presence or absence of the various offer attributes influenced survey-takers’ preferences differentially across demographic groups (Table 7a). Meaningful interactions in magnitude, but not direction, were observed in models including variables for gender, education, spending more than 50% of time fundraising (fundraiser), being a CEO or President (boss), working at a low-budget non-profit, and working at a non-profit with a gift policy.
Table 6: Predicted Probabilities

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<th></th>
<th>$100k</th>
<th></th>
<th>$500k</th>
<th></th>
<th>$1 Million</th>
<th></th>
<th>$5 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worst Case</td>
<td>8.41%</td>
<td>Best Case</td>
<td>91.58%</td>
<td>Worst Case</td>
<td>79.87%</td>
<td>Best Case</td>
<td>20.12%</td>
</tr>
<tr>
<td>Worst Case</td>
<td>36.65%</td>
<td>Best Case</td>
<td>63.34%</td>
<td>Worst Case</td>
<td>8.41%</td>
<td>Best Case</td>
<td>91.58%</td>
</tr>
<tr>
<td>Worst Case</td>
<td>52.08%</td>
<td>Best Case</td>
<td>47.90%</td>
<td>Worst Case</td>
<td>8.41%</td>
<td>Best Case</td>
<td>91.58%</td>
</tr>
</tbody>
</table>

Note: Each box represents a hypothetical side-by-side comparison of two donation offers. The percentages are predictions of what proportion of the sample would accept each offer. Red shading indicates the less popular choice. Green shading represents the more popular choice.

The results from several mixed logit interaction models appear in Table 7a. In each model, a demographic variable entered the base model as an interaction term. Female respondents exhibited significantly smaller preference for $500,000 offers as opposed to $100,000 donations than male respondents. Women also exhibited a significantly larger preference for anonymous donations as opposed to public donations than their male counterparts. Respondents holding more than a Bachelor’s degree demonstrated a larger preference for unrestricted gifts than those holding a Bachelor’s degree or less. Democrats demonstrated a significantly smaller preference...
for $1 million and $5 million gifts than Republicans and Independents. Modeling to test the importance of race yielded no significant interaction terms (results not shown).

I also examined interaction models with demographic variables related to professional role. Managerial level exhibited no statistically significant effect on respondent preferences (results not shown). In an interaction model for fundraiser status, respondents who reported spending more than 75% of their time raising funds exhibited a significantly larger preference for unrestricted and anonymous gifts than non-fundraisers.

I examined interaction models with organizational characteristics related to the respondent’s employer (Table 7b). Respondents who were employed by a low-budget non-profit (less than $1 million) demonstrated a significantly larger preference for donation offers of $5 million than those that worked at larger-budget non-profits. Respondents who worked at a non-profit with a gift policy were found to have larger preferences for $500,000, $1 million and $5 million donation offers as well as anonymous gifts when compared with those respondents who reported no gift acceptance policy or did not know about a gift acceptance policy at their workplace.

Interaction models which explore the influence of working at a church or religious organization found an increased preference for all donations over $100,000 and for unrestricted donations. No significant interaction terms were identified in a similar model exploring work at a social service organization. An interaction model with health care, however, yielded several statistically significant findings. Those working for a health care organization demonstrated significantly smaller preferences for all donation attributes with the exception of unrestricted and renewable gifts. These results indicate that health care managers place a smaller overall utility on
the donation offers presented in the study than other types of non-profits, meaning they valued all attributes less than non-profit managers from non-health care non-profits.

4.5 Willingness to Accept Estimates

Marginal WTA is defined as the minimum monetary amount that an individual is willing to accept for a marginal improvement on another donation attribute, leaving the level of the total utility unchanged. To estimate WTA, I re-estimated the base mixed logit model with the assumption that dollar amount was a fixed, rather than random, effect (see Appendix, Table S1). Doing so is consistent with the approaches to assess willingness to pay most commonly used in the existing DCE literature. In treating amounts as a fixed effect, I make the assumption that participants would consistently prefer larger-sum as opposed to smaller-sum donations, all else being equal. Again, the results of this re-estimated base model and the original are consistent with this approach.

The expectation of willingness to accept a condition can be identified by dividing the coefficient for each condition attribute by the coefficient for dollar amount. The WTA findings indicate that respondents would be willing to accept fewer dollars in return for donations that are unrestricted, renewable, voluntary and anonymous. I find that respondents would be willing to accept $1.4 million fewer in exchange for an improvement from restricted to unrestricted money. Respondents’ willingness to accept fewer dollars in exchange for voluntary and renewable donations are similar. Respondents would be willing to sacrifice $433,635 in exchange for anonymous money (Table 8).
Several limitations deserve note. First, the findings reflect the stated preferences of a convenience sample of participants for a hypothetical choice and therefore do not necessarily reflect the behavior of actual non-profit managers or organizations. It may be the case that respondents’ stated preference would not match precisely their revealed preferences; it also may be the case that the convenience sample inadequately reflects the true distribution of non-profit managers’ preferences. Second, the analysis assumes that participants, by virtue of being non-profit managers, were able to imagine being “in the market” for philanthropic dollars and no major variables were omitted from DCE. Third, the decision to forego a “None” option in the DCE renders inferences about the general acceptability of SSB donations in a non-profit context impossible. The experimental design was unable to identify respondents who found SSB donations more and less unacceptable, only the attributes and levels that influenced their preferences assuming the source (SSB) was fixed.
<table>
<thead>
<tr>
<th>Attribute (RE)</th>
<th>M1: Base Model (all random)</th>
<th>M3: Interaction w/ Being Female</th>
<th>M4: Interaction w/ Holding More than a Bachelor’s</th>
<th>M5: Interaction w/ Being in a Fundraiser Role</th>
<th>M6: Interaction w/ Being a Democrat</th>
<th>M7: Interaction w/ Working for Low-Budget Employer</th>
<th>M8: Interaction w/ Working for Employer with Gift Policy</th>
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<td>B</td>
<td>p-value</td>
<td>B</td>
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*p<.05, **p<.01
### Table 7b: Sector-Specific Interactions

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<th>M9: Interaction w/ Working for Church or Religious Non-Profit</th>
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*p<.05, **p<.01
5 Discussion

5.1 Money was most important attribute but conditions drove utility as well

In deciding which of two donation offers to accept, non-profit managers were most influenced by the dollar amount that stood to be gained. In the majority of tasks, participants selected the larger-amount donation. Mixed logit models confirm dollar amount to be the most important attribute among those evaluated. Every sub-group exhibited positive, increasing utility for the larger donation amount offers, though Democrats and health care personnel exhibited a significantly lower utility at each amount level. The import of the dollar amount was expected. Until very recently among non-profits, managers assumed that all money had equal value. Even as other donation attributes become potentially relevant, donations that inject more money into an organization may reasonably be preferred to those that inject less money.

The results also indicate that conditions of a gift matter significantly. In 23% of all DCE tasks, respondents accepted a donation offer that was lower than the other presented. In scenario-forecasting, best-case offers at lower amounts were preferred to worst-case offers at higher ones in all but the most extreme scenarios. The implication of these findings is that money from a single source can have a wide degree of acceptability depending on the specifics of the donation. Existing conflict-of-interest policies in health care non-profits in particular are consistent with this finding. Such policies rarely prohibit funding from any source but instead dictate acceptable and unacceptable terms of funding agreements. Ethicists considering the acceptability of tobacco funding promoted such an approach in 2009, arguing that donation offers from tobacco companies may be acceptable if evaluated on the basis of 8 criteria including the presence or absence of a competitive funding process, transparency, and independence and ownership of data (Cohen et al., 2009). The DCE findings add further weight to the normative question of whether
money from any source should be able to be “cleaned” through an effective contracting process or whether there are limits to the procedural approach.

The behavior of non-profit managers with dominant preferences may be explained in a handful of ways. One explanation is that these respondents did not perceive an organizational risk in accepting SSB company donations and therefore they perceived no need to make either a taboo or secular tradeoff. A second explanation is that respondents perceived some organizational risk and the need for a tradeoff, but ultimately determined that the risks posed by acceptance were consistently smaller than the value of even the smallest donation amount offered. A third rationale is that respondents perceived a substantial risk and would have preferred not to accept any money from the SSB company but decided that they may as well maximize the resource gain for their organization if acceptance was unavoidable. To the extent that this was an animating feature of respondents’ logic, it substantiates the “in for a penny, in for a pound” theory of tainted money. In contrast, theories of “dirty” donations in which the dollars themselves carry moral taint would be undercut if this explanation for the findings holds true.

5.2 Manager-level preferences at odds with theoretical literature

For three of the four condition attributes, non-profit managers’ stated preferences were at odds with the academic perspectives. Preferences for voluntary rather than legally mandated, renewable rather than non-renewable, and anonymous rather than public donation therefore deserve further comment.

The history of non-profits accepting settlement money from tobacco lawsuits motivated the inclusion of voluntariness as a DCE variable. In the Tobacco MSA in 1998, 46 states settled with Phillip Morris, RJ Reynolds and other manufacturers a lawsuit alleging that tobacco companies
caused health damage and significant public health costs. The Agreement placed substantial restrictions on tobacco advertising and forced additional disclosure of information about tobacco lobbying and research funding. Settlement money was used to found the American Legacy Foundation (which later became the Truth Initiative) and was funneled through state budgets to fund a limited number of smoking cessation and other health-related programs by community-based non-profits. Few if any objections were raised against the acceptance of tobacco money via the MSA.

Robert Goodin’s account of “disgorging the fruits of historical wrongdoing” provides an explanation for the lack of outcry over MSA money (Goodin, 2013). He argues that the state is the rightful collector and redistributor of wrongful benefits. Under his view, non-profits should be unconcerned with the provenance of money that arrives to them by way of the state. While Goodin makes a compelling theoretical case, the non-profit managers in this sample appear to have at least partly disagreed with his rationale. Their stated preference for money that was donated voluntarily as opposed to legally mandated may reflect a preference to enter into an administrative relationship with willing, rather than compelled, donors. Alternatively, respondents may have wished to avoid the appearance of accepting money from a donor that has been found legally guilty (or guilty enough to settle) as opposed to one that maintains plausible deniability regarding wrongdoing. The disagreement between participants preferences and Goodin’s theory is only partial though, because the DCE did not necessarily make clear that the money would flow from a donor through the state and then to the non-profit. The attribute description only described the state’s role as mandating the donation.

Non-profit managers’ preference for renewable rather than non-renewable donations may reflect a widespread discussion among non-profit professionals about the need to develop
sustainable sources of funding (Cruickshank, 2009; Lennihan, 2006; Light & Zwang, 2016). Sustainable funding has become the holy grail of non-profit fundraising as it stands to minimize reliance on donors whose priorities and preferences can change unexpectedly. Some non-profit managers have turned to commercial activity to ensure that they can raise their own revenue rather than relying on donors at all. Such behavior is an extreme response to risk management but non-profit managers’ preference for renewable funds can be understood by the same logic. Non-profit managers may have perceived renewable donations as offering more certainty than non-renewable donations and therefore judged the former as the responsible managerial choice.

What is interesting about this preference is that it diverges from many theorists’ perspectives on institutional corruption and dependence. Legal scholar Zephyr Teachout, for instance, has written widely about the dangers of fostering elected candidates’ financial dependence on special interests (Teachout, 2014). Bioethicist Jonathan Marks has similarly issued warnings about the “tyranny of the next gift” when it comes to governments accepting donations from corporations (Marks, 2019). Both are concerned that policymakers will favor donors’ interests once they become aware of the need to re-approach that donor in the future for additional funding. Although neither Teachout nor Marks is focused specifically on non-profits, the potential for a similar threat to non-profit independence is clear. From this perspective, the findings presented above are surprising. In Teachout and Marks’ view, a non-profit would act more responsibly to accept a one-time only donation so as to preserve its own judgement in programming and policymaking. Acceptance of donations that come with the explicit possibility of renewal is tantamount to relinquishing autonomy to the donor who stands to renew.
Non-profit managers’ preference for anonymous money over public money accords with longstanding norms in charitable giving. Maimonides, the 12th-century Jewish philosopher, famously outlined a ladder of giving in which various forms of anonymous giving take precedence over public commitments to give. Even in cases where a donor possesses unsavory characteristics, it could be reasonable to suggest that it is better for “good guys” (non-profits) to have money than “bad guys” and so, to the extent that anonymity is a means to facilitating such a transfer, anonymity should be applauded. Press coverage of convicted sex offender Jeffrey Epstein’s anonymous contributions to the MIT Media Lab challenged this norm in 2019. Journalist Ronan Farrow, in particular, lambasted the MIT Media Lab for using the premise of an anonymous gift as a means of intentionally “concealing” its relationship with Epstein, affording him “status and prestige” (Farrow, 2019).

The Epstein scandal has provided scholars an opportunity to reconsider prior commitment to anonymity as a virtue. The academic community now appears divided. Howard Gardner, a professor of cognition and education at Harvard, publicly declared that he had changed his mind about the value of anonymous donations and would no longer accept money with such a contingency (“Why I Changed My Mind About Anonymous Donations,” 2019). He attributed his decision to a concern that anonymous donations were no longer practically feasible and a desire for all consumers of his work to decide for themselves whether his acceptance of funding had influenced his analyses. On the other hand, one of the leading scholars of institutional corruption, Larry Lessig, has maintained that if a non-profit is to accept a donation from an unsavory source

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8 Non-profits are legally required to disclose the names of donors over $5,000 to the IRS on Form 990-Schedule B but do not need to make them public.
it should only do so anonymously (Lessig, 2019). Lessig’s analysis of the issue therefore aligns with the preferences of non-profit managers in the DCE.

5.3 Health care managers are less interested in all donation offers

A final note on the findings related to health care may be warranted. The impact of working at a health care non-profit was among the strongest effects evaluated. In an interaction model, people working for a health care organization expressed lower utility for all attributes. Interaction terms for $500,000, $1 million and $5 million amounts as well as the anonymous and voluntary conditions were statistically significant. The reasons for health care professionals’ dampened enthusiasm may be two-fold. First, health care managers may be most sensitive to the potential for integrity or reputational damage to be done by accepting SSB money. Second, health care managers are more likely to work at non-profits that operate with large annual budgets and have less reliance on donations (see Appendix, Table S4 for demographic comparisons amongst non-profit sectors). Even though the DCE asked all participants to imagine themselves in charge of a non-profit health clinic with thin margins, this frame of reference may further explain the lower utility placed on any donation offer.

5.4 Future Work

This research reveals several opportunities for extensions and alternative approaches. Future DCEs may usefully explore non-profit manager decision making about smaller donation amounts than were included in the present study. The outsized utility ascribed to dollar amount suggests that managers may have been willing to make more tradeoffs if donation offers had been pegged to smaller dollar amounts. Including a “no buy” option will improve the ability of future research to uncover insights on the circumstances under which the source of the funds or the conditions on the funds is of greater concern to non-profit managers.
With larger sample sizes, future research may also productively explore non-profit managers’ reactions to other types of hypothetical corporate donors, including oil and gas companies, pharmaceutical firms, alcohol brands and gun manufacturers. Individual donors that mimic the concerns raised by the Epstein scenario may also be interrogated. The strength of the health care interaction terms suggests that changing the hypothetical so that participants imagine themselves in charge of a non-profit other than a health clinic may also be warranted.

Investigations to assess revealed preferences would provide an important complement to stated preference studies. Such studies will likely require non-profit managers to make decisions with real-world financial implications for either themselves or their employer. It may or not be the case that revealed preferences align with stated preferences. In the case that the results of revealed preference studies do not align with those of stated preference studies, researchers should be careful not to throw the proverbial baby out with the bath water. If stated preference studies are not useful for predicting managerial behavior, a third, interesting set of questions will have been revealed: what keeps non-profit managers from feeling they can tell the truth about the donations they are willing to accept?
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Paper 2

The Ethics of Donation Acceptance from the Perspective of the Non-Profit Manager
Abstract

Non-profits rely on the voluntary contributions of donors to survive. Some non-profits have attracted substantial negative attention for decisions to accept money from donors accused of wrongdoing. The challenge of deciding under what conditions to accept donated resources fits into a general class of ethical problems related to the lengths economic actors should go to maintain morally clean hands.

This paper aims to make three contributions to the ongoing debates over the acceptability of philanthropic funding.

The first contribution is to make clear what the potential concerns about accepting money from wrongdoers are. In line with anthropological and sociological literature on gift exchange, I argue that it is most appropriate to view what we commonly refer to as philanthropic donations in terms of exchanges between donors and non-profits. I argue that there are two common types of exchanges that may cause harm to people – those in which non-profits give donors influence in return for the money and those in which non-profits give donors recognition in return for the money.

The provision of influence and recognition stands to bring about harms, defined as setbacks to interests, to the non-profit organization and to people beyond the boundary of the organization. In a case where harms to the non-profit organizations may be done, managers must consider whether accepting or rejecting the donation is a more faithful enactment of their fiduciary duty. In a case where harms to people beyond the non-profit may be done, managers must resolve an apparent conflict between their fiduciary duty and a duty to avoid harm.

The second contribution is to propose a framework for how non-profits can reconcile competing duties in a non-ideal context. Based on longstanding distinctions amongst various types of harms, I argue that non-profits should avoid engaging in exchanges that involve intentional harm but may permissibly engage in exchanges with donors that bring about unintended harm under some conditions.

The third contribution is to suggest a structural change to non-profit fundraising in order to achieve a more substantive elimination of risks of harm. Borrowing from the literature on campaign finance reform, I propose that non-profit fundraising be run through blind trusts so as to sever non-profit managers from the identifies of their donors. Holding substantial enforcement concerns aside, this system would eliminate concerns about non-profits bringing about harms through the provision of influence or recognition but would not fully address concerns about agenda distortion.
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1 Introduction

In 1978, the Metropolitan Museum of Art opened the Sackler Wing with profuse thanks for the Sackler Family, whose multi-million dollar donation made the addition possible. The Sacklers had made their money primarily through a privately held pharmaceutical company called Purdue Pharmaceuticals and had already given enough away to be known as sought after benefactors across the art world. To celebrate the opening of the Sackler Wing, the Ambassador from Egypt was invited to unveil a new collection of Egyptian artifacts from Tutankahmen’s tomb and the Martha Graham Dance Company performed (Harris, 2019). The Sackler Wing donation was only the first of many over the coming decades, with each allowing the museum to further expand and enhance its public offerings.

Forty years later, protesters gathered in the same Sackler Wing brandishing black banners that read “Shame on Sackler”. They dumped hundreds of empty prescription bottles on the floor to symbolize Purdue Pharmaceutical’s role in fueling a national opioid epidemic. They laid down and pretended to die on the museum floor, demanding that The Met stop accepting Sackler donations (Walters, 2018). In the courts, state Attorney Generals and the Justice Department alleged that Purdue Pharmaceuticals had intentionally withheld information about the addictive nature of its signature drug, OxyContin (Meier, 2019).

In 2019, the protesters appeared to prevail. The Metropolitan Museum of Art issued a public letter saying it would not accept further donations from the Sackler family. The President of The Met reminded the public that the museum was not a political institution and did not have a formal litmus test for donors. Nevertheless, he justified the decision by saying “We feel it’s necessary to step away from gifts that are not in the public interest or in our institution’s interest (Harris, 2019).” The New York Times ran an op-ed commending The Met’s decision, complete
with the subtitle “Nonprofits should not allow themselves to be used by the wealthy to scrub their consciences (Giridharadas, 2019).” Other museums, including The Louvre in Paris, followed suit with public acknowledgements that Sackler money would not be accepted. The Sackler fortune was as large as it had ever been but non-profits judged it as more trouble than it was worth.

The recent reconsideration of financial relationships with donors has stretched beyond museums. Deans of more than 20 schools of public health penned a public letter refusing to accept money from a foundation backed by tobacco giant Phillip Morris (Lardieri, 2018). A Texas-based non-profit serving migrant families refused a $250,000 gift from technology giant Salesforce because it counted US Customs and Border Patrol among its clients (Bach, 2018). Most recently, MIT’s Media Lab faced public scrutiny and had several faculty members step down when donations from convicted sex offender Jeffrey Epstein were revealed (Larkin, 2019).

This paper takes up the question: to what lengths should non-profits go to avoid harmful financial relationships with donors? The sharpness of the resource constraints and the pro-social nature of the non-profit sector makes it a particularly compelling setting in which to consider the ethics of financial relationships. In each of these cases, the non-profit managers faced an apparent dilemma. On one hand, managers faced a duty to act in the best interests of the organization. To the extent that furthering the interests of a non-profit organization relies on generating donated funds, this duty may favor accepting donations from any source. On the other hand, non-profit managers faced public pressure to reject donations that stood to subvert their mission. Even if managers did not believe that harm would come from acceptance, they harbored concerns about protecting organization’s reputation or effectiveness. In other
organizational contexts, managers are able to resolve analogous dilemmas by providing recourse to ultimate constituencies. The ambiguous accountability structure of non-profit organizations and management roles means no such final authority exists. Non-profit managers must therefore use their own judgement about how to act.

The non-profit challenge of whether to accept a donation fits into a larger class of social problems. Business ethicists and practitioners are simultaneously asking questions about the lengths various actors should go to avoid a financial relationship with wrongdoing. Consumers are debating the defensibility of purchasing music, movies and other art from accused and convicted criminals such as Michael Jackson, Woody Allen and Bill Cosby (Harriot, 2018). Even business-to-business arrangements, which typically escape public scrutiny, have become controversial. In June of 2019, several hundred Wayfair employees walked out in protest against the company’s furnishment of detention facilities on the US southern border (Trafecante, 2019). Institutional investors, particularly universities, are also being forced to re-consider stakes in private prisons, fossil fuels and other equities that may fail to uphold campus values. In April of 2019, students protesting for prison divestment at Harvard interrupted and forced the termination of a public event on campus with President Larry Bacow (Chaidez & Li, 2019). In entrepreneurial circles, startups have begun to face similar dilemmas about whether to accept venture funding from the likes of SoftBank, which typically offers “kingmaking” investments, but has ties to Saudi Arabian royalty implicated in the death of Jamal Khashoggi (Pham, 2018).

[1] In response, Wall Street has begun to develop alternative offerings that afford investors clear(er) consciences, including mutual funds devoid of “sin stocks” as well as more carefully-curated environmental, social and governance (ESG) funds.
While the public has paid considerable attention to specific instances of wary relationships, the general dilemma that non-profit managers face has received little analysis. Until very recently, non-profit managers operated under the assumption that any donated money was acceptable. The limited academic treatments of fundraising ethics have rarely taken the perspective of the manager (Macquillin & Sargeant, 2019; D. Morris, 2008). Where popular writing has addressed the question of so-called dirty donations, it has viewed non-profits as inert receptacles of donor resources and drawn on ethical frameworks such as wrongful benefits and ill-gotten gains to determine acceptability (Macintosh, 2019; Pasternak, 2016).

This paper aims to redirect the discussion about non-profit fundraising by suggesting that non-profit organizations, and the managers that represent them, take a considerably more active role in relationships with donors than has previously been appreciated. Rather than viewing donations as one-way transfers of resources, I argue that donations are most appropriately understood as part of an exchange between donors and non-profits. These exchanges can bring about harms that deserve to be weighed against the benefits of the donation. Such a conceptualization makes the ethical analysis of whether or not to accept donations considerably more complex than has previously been proposed.

The paper proceeds in several parts. In Section 2, I describe the ambiguous organizational context in which non-profit managers adjudicate the acceptability of donations. In Section 3, I argue that donations should be re-conceptualized as exchanges between donors and non-profits, wherein non-profits commonly provide influence and recognition to donors. The following sections outline the harms that can flow from a non-profit’s exchange with a donor. Section 4 describes the harms that can accrue to the non-profit organization and explores how these harms may create conflicts within a manager’s fiduciary duty. Section 5 characterizes harms to interests
beyond the non-profit organization and outlines an apparent dilemma between a manager’s fiduciary duty and duty to avoid harm. In Section 6, I set out a framework for determining the permissibility of donation acceptance based on managerial awareness and intent. Recognizing this framework to be somewhat unsatisfying, I suggest the adoption of a structural solution in Section 7, which would eliminate the need to rely on managers to make one-off choices about the acceptability of donations.

2 The Non-Ideal Context of Non-Profit Fundraising

This section of the paper describes the landscape within which non-profit managers make decisions about whether to accept or reject a donation. I refer to the context as non-ideal because the role of non-profit managers and non-profit organizations is ambiguous and institutional pressures to accept and reject donations are asymmetrical.

2.1 Role for Non-Profits

Henry Hansmann’s 1985 *The Role of Nonprofit Enterprise* serves as a key reference in discussions of nonprofit theory. As a legal scholar, Hansmann aimed to clarify “substantial confusion” surrounding the economic role of the nonprofit sector. Hansmann defines a nonprofit organization as one that is barred from distributing its net earnings (pure profits) to individuals who exercise control over it. He describes a role for nonprofits in the US economy based on market failures, wherein nonprofits are well-suited to provide goods and services under highly imperfect market conditions. Non-profits are particularly well-suited to provide goods and services when conditions make it impossible for consumers to police producers by ordinary contractual devices. Importantly for the work presented here, Hansmann distinguished between
donative nonprofits, which receive most or all of their income in the form of grants or donations and commercial nonprofits which receive the bulk of their income from prices charged.

The non-profit sector is a large and diverse sector with substantial impacts on the US economy. In 2018, roughly 1.6 million non-profit organizations, ranging from churches and food banks to YMCAs, labor unions and hospitals, registered with the Internal Revenue Service. Together, these organizations provide employment for 10% of US workers, trailing only the manufacturing and retail sectors, and contribute 5.4% to the nation’s gross domestic product.

The IRS classifies non-profits into more than 30 sub-types. The tax code refers to charitable organizations as 501c3 and grants these organizations federal tax exemptions. States often follow suit and provide state income and property tax exemptions once an organization has received a 501c3 designation. The 501c3 includes two types of organizations: public charities and private (grantmaking) foundations. About two-thirds of all registered non-profits are public charities.

The charitable sector adheres to the general rule that a small portion of organizations account for a large amount of the spending. In 2015, 15,000 charitable organizations with budgets over $10 million accounted for 86.7% of public charity expenditures ($1.4 trillion) while 195,000 charities with budgets of less than $500,00 accounted for less than 2% of public charity expenditures ($30.1 billion) (McKeever, 2016). The meager budgets of many charitable non-profits is reflective of sector-wide financial instability. A 2018 analysis of human service

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9 Other types of 501c organizations include 501c4 non-profits, which are membership organizations, including homeowners associations or volunteer fire departments. 501c7 organizations include hobby and social clubs such as the Elks and some country clubs.
charities paints a bleak picture of non-profits’ financial precarity (Morris & Roberts, 2018). The authors reviewed more than 40,000 tax filings from a diverse set of health and human service organizations. More than 40% of human services charities lacked liquidity to meet short-term financial obligations and nearly half had a negative operating margin over the prior 3 years.

This paper focuses on the resource generation challenges associated with public charity 501c3 non-profits, which I sometimes refer to simply as non-profits.

2.2 Reliance on Voluntary Giving

With such meager budgets, the average non-profit constantly relies on donors to supply funds that ensure their existence. Public management scholar Mark Moore has emphasized the centrality of donors to non-profit strategy, suggesting that the role of donors is the defining feature of non-profit organizations. In his view, non-profit “firms” are distinctive for their receipt of revenues from sources other than customer purchases. Moore writes:

_The performance of the [non-profit] firm ... is not reliably connected to its ability to attract revenues to pay for its continuing costs, because the firm secures revenues not by selling products and services to customers but by persuading either voluntary contributors or elected representatives ... that the social mission they are pursuing is a valuable one_ (Moore, 2000).

The reliance on voluntary giving puts donors and their attendant preferences at the center of non-profit managerial attention. Indeed, legal theorist Evelyn Brody summarized the import of donor preferences (Brody, 2006), writing:

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10 Authors reviewed charitable filings from the following areas: Mental Health & Crisis Intervention (F), Crime & Legal-Related (I), Employment (J), Food, Agriculture & Nutrition (K), Housing & Shelter (L), Public Safety, Disaster Preparedness & Relief (M), Youth Development (O), and Human Services (P).

11 This reliance on third-party funders introduces a greater sense of uncertainty to non-profit fundraising than for-profit organizations. Holding early-stage startups aside, for-profit businesses have mainly one audience in mind when considering resource-generation: customers. In order to generate more resources the firm needs to raise prices or sell larger volumes of products. The challenge is in identifying what the customers want, in terms of both price and quality, in the product. On the contrary, non-profit organizations that rely on donations must try to meet the needs of two constituencies at once: donors who supply resources and the clients who are served (Moore, 2000). Assessing the preferences of these groups and balancing competing preferences between them poses a perennial
The absolute discretion of a donor to give or withhold making a charitable gift—with whatever conditions the donor imposes—is, to some, the essence of private philanthropy.

Donor reliance can be so profound that some theorists have argued donor satisfaction is a key component of the value created by non-profits (Oster, 1995)." British fundraiser Ken Burnett coined the term “donorcentrism” to refer to a fundraising philosophy that “centers the unique and special relationship between a non-profit and each supporter (Macquillin & Sargeant, 2019).” According to a donorcentric view of fundraising, every activity should ensure that donors know they are important, valued, and considered in order to maximize funds raised in the long term.

Moore and other scholars have criticized arguments to grant donors such a vaulted position, arguing that they create a permission structure for charitable work that produces little value other than satisfaction of donor preferences. With similar concerns, public administration scholar Wolfgang Siebel has argued that the provision of benefits to donors helps to explain why many non-profits are permitted to exist as permanently failing organizations; donors are not necessarily interested in solving the social problems referenced in non-profit missions but instead in symbolic problem solving (Seibel, 1996).

12 The pursuit of multiple objectives has made the articulation and measurement of “value” produced by nonprofits a vexing problem for practitioners and theorists alike. Even so, there does appear to be widespread agreement that financial performance is an inappropriate indicator of the value that a nonprofit enterprise is producing for society. Donors’ ability to influence non-profit operations can be seen in the way non-profits have adjusted to systematically report overhead ratios in order to demonstrate lean management practices. Donors’ interest in calculating an overhead ratio for a given organization stemmed from concerns that the organization, and employees thereof, were using donations in self-serving ways as opposed to directing monies toward the marketed cause. Jacobs and Maruda (2009) found that organizations that appear inefficient in overhead ratios receive less donor support (also see Greenlee & Brown, 1999).
Non-profit managers face constrained choices over who their donors will be. Small non-profits with locally-bounded reputations enjoy a limited pool of local residents from which to solicit donations. Non-profits seeking very large donations may face still smaller pools. The wealthy individuals and corporations that comprise the donor pool frequently enjoy a mixed, rather than uniformly positive, reputation. Rarely is the public fully satisfied with a business’ practices even if they support the business’ mission. Insufficient wage payment and negative environmental impact are just issues two among many that can invite justified critique. The public can be similarly critical of how wealthy families manage inter-generational wealth even if the families are assumed to hold good intentions. From the perspective of some non-profits, it can seem that the epigraph of The Godfather was correct: “Behind every great fortune lies a great crime” and therefore, no donor with sufficient fortune to donate will ever meet the public’s ethical standards. The extent to which any particular non-profit is able to pass over these donors in favor of other, less controversial ones, is dependent on the specifics of its financial outlook.

2.3 Unclear Accountability Structure

Non-profit managers are left largely to their own devices in determining whether to accept a donation because the question of to whom a non-profit is accountable is a matter of substantial scholarly debate. Non-profits bear characteristics of both public and private sector organizations, leaving it unclear who the prime constituencies of non-profit organizations are.

Scholars have debated the extent to which non-profits should be considered public or private organizations. The earliest American non-profits were churches and associated with religious institutions. The legacy of these non-profit progenitors has lent all non-profits a distinct sense of “private-ness” in a US political environment that celebrates a separation of church and state. It is partly due to this quality that the public has historically accepted that the non-profit
sector was protected from normative critiques. The public was supported in this view by the writings of political philosophers and ethicists such as John Rawls and William Kymlycka, who also conceptualized civil society as having responsibilities separate from the kinds of demands for justice placed on governments (Kymlicka, 2002; Rawls, 2001). Governance of non-profits underscores the private nature of the work, as non-profits are free to pursue whatever ends they choose and elect boards of directors without reference to any body outside themselves. Concerned about the lack of accountability these structures afforded, Harvard Business School’s Regina Herzlinger once critiqued non-profits for being “shrouded behind a veil of secrecy that is lifted only when blatant disasters occur (Herzlinger, 1996).”

Non-profits simultaneously exhibit elements of “public-ness.” One of the leading justifications for the non-profit sector is that it takes up the work that the state cannot do either because it does not have the capability to deliver a service or because it cannot afford to do so (Cordelli, 2016; Wolpert, 2003). By this rationale, non-profits are stand-ins for the state and should rightly be seen as accountable to the public. Scholars have observed that nonprofits resemble public entities in their pursuit of multiple objectives, receipt of payments from third-parties rather than customers and obligations to organizational stakeholders who hold diverse expectations (Frumkin, 2002). Charitable non-profits also enjoy both federal and state tax exemptions, freeing them from having to pay income, sales and property tax. These exemptions function as a form of public subsidy and create an invisible, albeit tenuous, line of accountability between the non-profit and the tax-paying public. Moreover, many non-profits reference various iterations of the public in their mission statements, suggesting that the organization exists to meet a public need or provide a public service.
The combination of private and public elements has frustrated past efforts to codify clear moral, and even legal, obligations of non-profits. Precisely where non-profits should exist on a continuum between industry and government obligations remains ambiguous. Non-profits expert Political scientist Lester Salamon has referred to non-profits as comprising a “Third Sector” in an effort to indicate that they are neither wholly private nor wholly public (Eisenhardt 1989). Both donors to the non-profit and the people who stand to benefit from a non-profit’s success may have legitimate, though not legally recognized claims, to being the primary stakeholders of a non-profit. However, unlike the for-profit sector where shareholders can avail themselves of private rights of enforcement, no such right of enforcement exists among people who donate to, work for or benefit from a non-profit organization. Only state Attorney Generals retain standing to sue a non-profit in instances of apparent wrongdoing.

2.4 Fiduciary Duties to the Organization

In spite of persistent ambiguity about to whom non-profit organizations are accountable, non-profit managers are widely acknowledged to have duties of responsibility to the organization. These duties are analogous to duties well-established in the for-profit sector and emanate from the manager being an agent of the organization. Employment contracts establish fiduciary duties, including a duty of loyalty and care that employees owe to the employer. Because non-profits have no owners and cannot distribute net-earnings to individuals who

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13 Some discussion persists in the for-profit sector about whether the manager has a duty of responsibility to the corporation or to the owners. This debate effectively divides scholars into two camps: those that that believe that corporation is a real entity and therefore the managerial duties are owed to it and those that believe the corporation is merely a nexus of contracts between managers and owners. Because there are no owners of non-profit organizations, the managerial responsibility is most appropriately said to be owed to the non-profit organization.
oversee the organization, a defining feature of non-profit fiduciaries duty is that the duty exists to the organization rather than to shareholders of the organization (Brody, 2006).

The fiduciary duties that a non-profit manager has to the organization can be understood in two parts. Managers owe a duty of care and duty of loyalty. The duty of care concerns the manager’s competence and typically requires her to use the care that an ordinarily prudent person would use in a like position under similar circumstances. The duty of loyalty requires the manager’s faithful pursuit of the interests of the organization ahead of all others. These responsibilities are derived from more than a century of litigation “principally involving business corporations and are equally applicable to non-profit corporations (Goldschmid, 1997).” A third duty of obedience (to the law and to the organization’s mission) is sometimes references in the non-profit literature and can be folded into capacious understandings of the duty of care. The courts have treated violations of managerial responsibility according to the parameters of the two fiduciary duties:

> Allegations of neglect, mismanagement, and improper (but disinterested) decision-making are dealt with under the duty of care... Fraud, self-dealing, misappropriation of corporate opportunities, improper diversions of corporate assets, and similar matters involving conflicts between a director's or officer's interest and the corporation's welfare are considered under duty of loyalty statutes and case law.

The duty of loyalty is effectively a duty not to prioritize oneself over the organization and the bounds of this duty have been articulated fairly well by the courts. Alternatively, the duty of care requires a measure of effort on the part of the fiduciary but the amount of effort to be expended can be “neither quantified nor coerced.” For this reason, legal scholars have

\[14\] The inability to distribute net earnings is referred to as the “non-distribution constraint.” Upon closure, non-profits must transfer all assets to other non-profits.
identified the duty of loyalty to be a stronger duty than the duty of care (Laby, 2005).\textsuperscript{16} Goldschmid cautions against inferring that the duty of care standard is low simply because the requisite effort is unquantified. He argues that the standard remains demanding. Only the capacity for legal enforcement is weak.

Related to non-profit fundraising, the duty of care is the central fiduciary duty as it concerns organizational advancement. Acting in the best interest of the organization includes securing sufficient resources for its survival. While all organizations are resource-dependent (Pfeffer & Salancik, 1978), securing sufficient financial resources poses a particular challenge for non-profits. Even well-managed non-profit organizations face substantial uncertainty about from whence future funding will come. It is therefore understandable how non-profit managers could view accepting funds from unsavory sources as being consistent with their duties to the organization. Particularly when donations would be large relative to the size of the non-profit’s operating budget, the potential for other donors to make similarly sized offers within a relevant timeframe may be slim and the opportunity cost of rejection is high.

Together, these ambiguities mire ethical analyses of whether or not non-profits should accept donations in complexity. When managerial tensions arise in other organizational settings, there exists the potential to resolve them by making recourse to ultimate constituencies. In a for-profit context, this has typically been the shareholders or private owners. In a government context, this is the public or body politic. In a non-profit context, the lack of clear lines of organizational accountability means no such final authority exists. Moreover, the key legal

\textsuperscript{16}In other writings, Arthur Laby has considered the duty of loyalty to mean not harming the principal and to be a perfect duty in Kantian terms (Laby, 2005). When duties of loyalty and care collide, Laby notes that “courts generally resolve the conflict in favor of the duty of loyalty representing minimum conduct to which the fiduciary must adhere.”
threshold that defines whether a manager has upheld their responsibility to act in the interest of the organization is undefined. Managers must use their own judgement about how to act.

3 Understanding Donations

In this section, I argue that donations should be conceptualized as exchanges. I outline two common types of exchanges – those in which the non-profit provides donors with influence in return for the money and those in which the non-profit provides donors recognition in return for the money.

3.1 Donations as Part of Exchanges

Lay and academic analyses of non-profit ethics use the terms donate and donation widely. These terms suggest a one-way financial transfer from a donor to a recipient non-profit organization and invite non-profits to view themselves as inert receivers of resources. Such a conceptualizations of the mechanics of donations is, in many cases, empirically false and therefore unhelpful. What have traditionally been referred to as donations should, in most cases, be viewed as exchanges between a donor and non-profit. I take the term exchange here to be construed broadly, meaning it need not refer to a “tit for tat” spot interaction involving goods or services of equal value but instead a generally reciprocal association that extends over time.\(^\text{17}\) This being the case, it is appropriate to conceive of the ethical challenge not only in terms of what a non-profit receives from donors but also what the non-profit gives donors.

\(^{17}\) I am not the first to take such a view of donations. In reviewing a popular text on fundraising, philosopher William Clohesy concluded that “philanthropy is a social relation between donors and recipients in which both sides give and get in return (Clohesy, 2003). What is novel about my account is the specification of what non-profits commonly give donors in return, the articulation of the harms that can flow from such exchanges and the ethical analysis of managerial action that follows.
The transfer of resources from a donor to a non-profit may be quite visible but is only one part of an exchange. The less visible part of the arrangement is the non-profit’s effort at reciprocation. Non-profit organizations spend considerable energy identifying ways to provide gifts or other benefits to donors who have given in the past. These gifts and benefits symbolize the non-profit’s appreciation for financial contributions that are widely viewed as supererogatory. However, the timing of who first gives to whom can also be reversed. More than half of fundraising solicitations, for instance, include a token or gift for the prospective donor in an effort to encourage a financial contribution (Nonprofits Should Think Twice Before Offering Gifts in Exchange for Donations, Study Suggests, 2018). These realities of non-profit fundraising accord well with the existing economic and anthropological literature on gift giving. These literatures define the giving of gifts as a way of conferring material benefit on a recipient (Sherry, 1983). Although many non-profits provide tokens of appreciation that are of little financial value, the non-financial value of what a donor receives can be quite substantial.

Theoretical and empirical work on motivations for charitable donations can shed light on the other types of benefits donors receive. Many scholars have suggested that donors are motivated by an interest in maintaining social standing in a community and fulfilling social and religious commitments (e.g., tithing). Even older people, who may not have significant time left to enjoy the benefits of their charitable giving have shown to be responsive to such social pressures (Mathur, 1996). At the organizational level, empirical literature on corporate social responsibility indicates a range of benefits to charitable giving, including increased profits, reputation enhancement, talent acquisition and retention and more (Austin & Gaither, 2017; Hansen et al., 2011).
In order for donors to realize the benefits of charitable giving, it may be necessary for non-profits to take some form of action. Typical actions include publicizing a gift, hosting corporate employees for days of service or lobbying on the donor’s behalf. Why would a non-profit be willing to confer such benefits? Two reasons are worthy of consideration. The first is that conferring benefit accords with longstanding norms about the value of reciprocity (Sherry, 1983). If people should be paid back for what they do, then gifts should be met with reciprocated benefits. Social norms further dictate that gifts should not be “repaid” with gifts of equal value in short windows of time; this would be insulting (Zollo et al., 2017). As a result, the need to fulfill the reciprocal obligation without doing so immediately stretches a gift exchange into a longitudinal relationship. In periods wherein the relationship is unbalanced, acts of good faith between the donor and recipient can be demonstrated to affirm mutual commitment; token gifts such as greeting cards and cups of coffee are symbols of such reaffirmation (Sherry, 1983).

The second reason a non-profit confers benefits, perhaps even in excess of the value of the initial gift, is to begin to lay relational groundwork in the hopes of securing a next gift. This rationale also has a time-element; it suggests that the nature of non-profit’s dependence on external donors positions them as perpetually courting future installments of funding from current donors. Therefore, even if a non-profit were to reciprocate a donor’s contribution within a short time frame with an auto-generated e-mail conveying recognition, we may still understand the non-profit and donor to be in relationship to one another if the non-profit collected information on the donor for the purposes of making future solicitations.

Non-profits are well aware of the relational aspect of fundraising. In publicly available resources on non-profit fundraising, experts argue that the key to successful fundraising is building relationships that extend over time. Examples include:
- Fundraising is about developing, maintaining, and strengthening relationships with donors (Le, 2020).
- Relationship-building is the essence of fundraising... Consider placing a moratorium on “fundraising” and instead only using “relationship-building” (Love, 2014)."
- Fundraising is based on relationships with donors, not asking (Perry, n.d.).

Non-profit language has evolved to emphasize the relational character of fundraising. Many non-profit websites now refer to “partners” as opposed to funders (Crane, 2010). For their part, corporations are using the term “community partners” to refer to grantees. The term “partners” remains in use even in cases where the nature of the relationship is, in fact, de minimus. Similarly, many fundraising positions inside non-profits have been renamed “Donor Relations” positions.

Two exceptions to my argument that most donations are exchanges come to mind. The first is where the donor’s identity is unknown to the non-profit. In this case, it is impossible for the non-profit to reciprocate the gift. Note that the donor may still derive some benefit from the donation, sometimes referred to as a “warm glow” or sense of moral affirmation from having donated, but the non-profit is uninvolved in the production of this benefit. A donor that derives a warm glow from donating may not even need the non-profit to receive their donation. If the check is lost in the mail but the donor is none the wiser, their warm glow is undiminished. The other exception may be an identified, deceased donor who leaves an unrestricted donation in their will and wishes to remain anonymous to the public. In this case, a non-profit has no opportunity or motivation to reciprocate the gift. These scenarios eliminate the potential for a relationship between non-profit and donor. For this reason, they can be instructive in formulating conceptualizations of how to structurally reform the relationships that non-profits have with donors, which I return to in final section.
Thus far, I have aimed to establish that excepting rare cases, a donation can be usefully conceptualized as a part of an exchange between donors and non-profits, wherein both the non-profit and donor derive benefit.\textsuperscript{18} Consistent with linguistic norms in non-profits, we should conceptualize donations as signifiers of an open-ended relationships rather than single-shot transfers of resources.\textsuperscript{19}

### 3.2 The Provision of Recognition and Influence

In the course of an exchange, a non-profit may confer benefits to a donor which bring about harms, defined as setbacks to interests (Feinberg, 1987). Much of the discomfort that is currently being expressed about the ethics of non-profit fundraising can be traced to the provision to two benefits: the provision of \textit{influence} and the provision of \textit{recognition} (Figure 1). There may surely be other benefits that a donor confers which can bring about harms and should be explored in future work.\textsuperscript{20} What makes the provision of influence and recognition especially legitimate causes for concern is that one can both describe the mechanism of how harm can be done and provide real-world examples of these harms.

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\textsuperscript{18} I return to cases where the donor’s identity is not known later in the paper.

\textsuperscript{19} In this sense, relationships between charitable donors and recipients bear similarities to what economists Rebecca Henderson, Robert Gibbons and others have described as relational contracts. The defining feature of relational contracts is that enforcement occurs via the “shadow of the future” (Baker et al., 2002; Gibbons & Henderson, 2011).

\textsuperscript{20} For instance, I suspect political philosophers would highlight that non-profits provide donors with tax havens by virtue of their existence. Political theorist Robert Reich, for instance, calls for several tax policy reforms aimed at reducing the ability of plutocrats to evade taxation through charitable giving (Reich, 2018). I take a complementary view to Reich’s in this paper. I take a managerial perspective rather than a political one and focus on benefits that non-profits provide discretionarily rather than by virtue of their existence.
Figure 7: Two Types of Exchanges between Non-Profits and Donors

Non-profits commonly yield donors influence over the non-profit’s work in exchange for a financial donation. The influence granted can appear innocuous; consider the opportunity to “earmark” one’s donation to a particular project or program within a non-profit. The influence can also be substantial; consider a donor who indicates an interest in changing the scope of a non-profit’s work. In the latter instance, the provision of influence could meaningfully set back the interests of constituencies served by the non-profit. In fundraising parlance, the terms of influence are referred to as conditions or strings on a donation.

Non-profits also commonly grant donors recognition as a charitable actor in exchange for a financial donation. As in the case of influence, this benefit may be apparently harmless. Many non-profits identify donors in an annual report or on an “honor roll” in the lobby. However, more significant forms of recognition such as naming rights and signature sponsorships can broadcast a donor’s involvement with a non-profit to wide audiences. These forms of recognition are uniformly celebratory and positive in nature. If they were not, the recognition would not serve as reciprocation of the donation. If a donor is seeking to avoid the consequences of wrongdoing by developing a benevolent image, the non-profit may be, in effect, aiding and abetting.²¹

²¹ Sociologist Randall Collins critiqued the provision of recognition in especially harsh terms, suggesting “Philanthropists are effectively trading wealth for the moral prestige of being a charitable donor (Collins, 2005).” He ascribes intent to donors which I decline to ascribe.
It can be tempting to argue that a non-profit should be *especially* willing to accept donations from wrongdoers because it is better for “good guys” to have the money than “bad guys.” Recognizing that a non-profit may provide donors with something of value in return for financial contributions highlights why such an argument is an over-simplification. While it may be preferable for good guys to have money rather than bad guys, it is not immediately clear that the value of the money outweighs the harms the may be done by the provision of benefits to the donor.

I should be clear about two arguments that I am *not* making. First, I am not alleging that the only reason that donors provide financial contributions is to receive influence or recognition. Surely many donors have complex motivations that may include both self-interested and altruistic goals. Understanding donor intent is not integral to my account. Second, I am not arguing that the provision of influence or recognition to donors is unwarranted or undeserved. Those who abide by a strict interpretation of property rights may see the benefits granted to donors as warranted and my account does not require relinquishing this view. It only requires that readers recognize that granting donors this influence or recognition can also create bring about harms.

4 Considering Harms to the Organization

If organizations require resources to survive, it is easy to see how the procurement of resources is a benefit to the organization. Managers therefore typically assume that they are executing their managerial responsibilities faithfully in accepting donations. In this section, I

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22 This view goes: The power to give gifts also belongs to the institution of property. Having the right to do what we want with what we have so long as we do not violate the rights of others is an expression of our equality.
entertain the idea that acceptance may set back the non-profit’s interests by doing harm to the organization.\textsuperscript{23} Conceptually, one can distinguish between two types of harms to the organization. The first is a perceptual harm to the reputation of the non-profit. The potential for reputational damage has have been repeatedly empirically demonstrated (\textit{The Oxford Handbook of Corporate Reputation}, 2012). The second kind of harm is to organizational interests. The potential for organizational interests to be set back is considerably more controversial and rests on a theoretical view of the firm that continues to be debated. Nevertheless, for the purposes of this paper, I find it useful to assert the potential for such harms. When a donation poses either kind of harm to the non-profit organization, a manager may reasonably question whether acceptance or rejection is the best way to fulfill their fiduciary duties.

\subsection{Harms to Non-Profit Reputation}

Many scholars consider an organization’s reputation to be its most significant intangible asset (Diermeyer, 2011). Theorists have argued that reputation is important because it “facilitates economic transactions where markets might otherwise fail by providing incentives for firms to behave in predictable ways (\textit{The Oxford Handbook of Corporate Reputation}, 2012).” Among non-profits in particular, the role of reputation in facilitating transactions – including fundraising and mission-centric programming – would be difficult to overstate.

Economist Thomas Noe argues that reputation represents stakeholder assessments of the probability that the firm will behave opportunistically in the future based on past behavior (Noe et al., 2018). As stakeholders gather new information about the organization’s propensity for opportunistic behavior, they become more or less willing to engage in transactions with the firm.
Sociologists Michael Jensen, Heeyon Kim and Bo Kyung Kim bring a more contextually-based perspective to discussions of reputation, suggesting that reputation is defined not only by the probability of opportunistic behavior but any kind of behavior that deviates from role expectations (The Oxford Handbook of Corporate Reputation, 2012). In their view, whether or not an organization meets role expectations is the key inflection point in deciding whether a reputation improves or declines.

Acceptance of a donation may damage reputation if stakeholders deem the behavior to be self-serving in a way that is not in keeping with a non-profit’s appropriate role. Reputation may be most damaged where the acceptance of donated funds creates an appearance of outright hypocrisy or betrayal. Consider a health care organization that accepts funding from a company that produces health-harming products such as a sugar-sweetened beverage or tobacco company. Stakeholders may view the non-profit’s willingness to enter into such an arrangement in pursuit of financial gain as opportunistic. In such a case, a non-profit manager’s decision to accept may damage the reputation of the organization even as it sought to further their organization’s interest via additional resources.

I find this account of reputation (and reputational damage) to be more precise than those offered about moral “taint.” Philosopher Anthony Appiah has most famously described moral taint as resulting “when harm is produced by others, and the contagion of their wrongdoing is transferred to a person who had no involvement in bringing about the harm (Appiah, 1986).” Leaning too heavily on an account of taint fails to recognize (a) that non-profits can, in some cases, take an active role in bringing about harm and (b) why it is that a an environmental non-profit may be punished for accepting a donation from Exxon Mobil but an investment bank is not critiqued at all for accepting funds from Exxon Mobil for services rendered.

Non-profit acceptance of impermissible donations can also contribute to the erosion of trust in institutions broadly. While this is unlikely to be an intention of a non-profit, it may be a spillover harm. Losses of public confidence in the ability of non-profits to pursue charitable ends with fidelity stands to exacerbate already concerning levels of mistrust in institutions generally (2019 Edelman Trust Barometer, n.d.)
Jensen, Kim and Kim’s research makes clear why organizations that play different roles in society can undertake the same behavior and generate different public reactions. The non-profit sector has been justified by Hansmann on the basis that non-profits are more trustworthy than for-profit companies and therefore better suited to serve customers in markets with high information asymmetries (Hansmann, 1980). In light of this unique role, Jensen, Kim and Kim’s work helps to explain why non-profits are met with outsized public reactions when they enter into financial arrangements with donors with whom businesses, or even governments, routinely associate without rebuke.

### 4.2 Harms to Non-Profit Interests

Whether non-profit organization can be harmed remains unsettled because theoretical debate persists about whether organizations are entities. Many scholars and managers share an intuition that organizations have interests that exist separate and apart from those of directors or managers but arguments that attempt to ground this intuition in an arguments that organizations are entities can be unsatisfying. If the intuition fails to be grounded in an argument that can withstand scrutiny, then no harm can be done to the organization because the organization does not exist beyond a legal fiction.

Two debates within the theory of the firm literature are particularly relevant of the consideration of whether harm can be done to an organization.\(^26\) The majority of this literature has been authored with corporations in mind but has applications to non-profit theory as well, which I draw out more explicitly below. The first debate is whether the corporation is real or

\(^{26}\) A third debate, concerning whether or not corporations should be considered persons, is also alive within the theory of the firm literature. Because this debate is most concerned with whether corporations should have equal speech rights, and therefore equivalent abilities to make political contributions, I do not review this debate in any depth here.
reified. Those holding a reified view of the firm see it as a “construction in the minds of people who are in the firm” while realists conceptualize the firm as being “a real thing, having an existence, like a spiritual being, apart from the separate existences of the persons connected with it (Bratton, 1475).”

The second debate concerns whether the corporation is an entity unto itself (whether real or reified) or an aggregate of individuals and transactions around it. Those who argue for conceptualizing the corporation as an entity point to the practical realities of corporate life: when a letter is issued to shareholders, it most often comes on stationary bearing the corporate name rather than the names of all executives and shareholders. We observe a corporation taking action as a unitary entity under a common name – for instance, it can buy or sell another business – even if not everyone in the underlying “association” of involved people is in agreement. For these and other obvious reasons, it feels natural to many lay people to consider the corporation to have its own identity – and be understood as a singular entity. Kendy Hess has elaborated on this intuition by suggesting that we understand corporations as agents (a type of entity) on account of corporations having a rational point of view (RPV). She defines the RPV as a perspective from which a corporation can conceive of plans and act rationally in pursuit of interests.

Those who believe the organization is an aggregate prefer to conceptualize the corporation as an association of people. In doing so, they often acknowledge the perception of the corporations as an entity but describe this perception as a legal artifices or “corporate veil.” In 1913, for instance, legal scholar Isaac Wormser wrote “It would seem most accurate to define a corporation as a group of persons authorized by sovereign authority to act as a legal unit (Bratton, 1989).”
Even thumbnails of these debates should make clear that the nature of organizations remains a matter of controversy. According to legal theorist William Bratton, case law has largely alternated “between an entity-based structural conception in which the entity employs management and a contractually based structural conception in which management acts as the shareholders agents” and has largely failed to keep pace with evolving legal doctrine (Bratton, 1989). Even within a group of scholars who share a view of the firm, the motives for arguing as much may differ. Business ethics scholars may argue for an entity view in order to assign moral responsibility to firms while legal scholars are often interested in an entity view for the purposes of assigning rights to them.

With regards to the question of whether an organization can be harmed, those who view the corporation as an entity, whether real or fictionalized, have a clearer path to arguing that the organization can be harmed because the entity view assumes a unified set of interests. Still, the question of whether the organization is real or reified remains, as does the follow-on query of whether the interests of a reified entity can be meaningfully set back.

Debates about the appropriate way to conceptualize organizations become more complicated when considering non-profit organizations. The non-profit form poses a serious challenge to theories of a firm that center contractual relationships between managers as agents and shareholders as principals. Because there are neither shareholders nor other formal owners in a non-profit context, the principals for whom non-profit managers work are unclear.

Political scientist Ted Lechtermann’s analysis of Medicins Sans Frontiers (MSF) decision to reject a donation of free Pfizer vaccines makes clear why these debates are relevant (Lechtermann, 2017). Upon being offered the supply of vaccines, MSF leadership recognized that they were faced with a tradeoff between short-term gains and long-term losses (Cone, 2016). If MSF were
to have accepted the vaccines, managers feared that they would have been providing
pharmaceutical companies with a rationale for maintaining high market prices. Doing so would
have limited MSF’s ability to be an effective advocate for drug pricing reform in the future and
thereby would have set back the organization’s interests. Lechterman writes:

Thus, the choice that MSF faced, and still faces, is not the seemingly simple choice between
relief and reform, between humanity and justice. Rather, it is a choice between an option
with low impact, short time horizons, and high probability, and options with high impact but
long time horizons and low probability. One general possibility that I find attractive is to rule
out relief strategies that, if pursued, would make systemic change less likely to come about.
If [accepting] temporary relief would severely constrain the possibility of achieving systemic
reform, [accepting] relief is impermissible (Lechterman, 2017).

Donations that threaten the loss of independence for a non-profit further underscore the
import of the theory of the firm debates. Think of a non-profit manager’s willingness to meet the
demands of a prospective donor on the cusp of a large financial contribution. Phillip Selznick
may have referred to the manager’s willingness to obey as a form of “institutional surrender
(Selznick, 1957).” Scholars of corruption, most of whom view organizations as entities, are
among the most likely to argue that such a gift poses a threat to the organization because it stands
to grant the donor influence over the non-profit operations and in turn, sacrifice some degree of
non-profit independence. Note that the donor may not even need to exert their influence in order
for a non-profit’s independence to be harmed under such a strict view of institutional corruption.
This is not to say that all scholars would argue that the donation should not be accepted, only that
they may be likely to recognize this potential harm.

Scholars who view organizations as legal fictions, however, may be less concerned about
threats to independence. If an organization is taken to be a nexus of contracts, it can be said to be
“dependent” and potentially influenced by any number of external parties. This dependence is a
feature of for-profit corporations and non-profits alike, although perhaps more pronounced in the
latter for reasons reviewed at the outset. This being the case, the harms associated with the 
acceptance of a large donation are at the very least shared across all non-profits and would not 
constitute meaningful setbacks to interest on the manager’s non-profit.

Even holding the contracts view aside, intuitions about harm done to an organization can be 
difficult to substantiate amidst such a theoretical morass. Nevertheless, I take up the entity view 
for the purposes of this paper. I do so because this view accord most naturally with the reality of 
non-profit organizations. It also best supports the concerns of MSF and other non-profit 
managers, which I find compelling. Committing to an entity view of non-profits allows for harms 
to organizational interests to be recognized alongside reputational harms.

4.3 Reconciling Competing Conceptions of the Fiduciary Duty

In view of the potential for organizational harms to flow from donation acceptance, 
managers may reconsider whether acceptance is the most faithful execution of fiduciary duty. 
While acceptance may provide near-term financial assurance, it is conceivable that the harms 
diminish the non-profits capacity to fundraise in the future or fulfill its mission. Thus, managers 
may feel that their fiduciary duty both requires and forbids acceptance.

If managers are most concerned that harm to their employer’s reputation will limit their 
ability to fundraise in the future, they face a classic short run versus long term tradeoff. 
However, if a manager is concerned about non-reputational harms that may limit the ability of 
the organization to fulfill its mission, then the tradeoff is between financial gains and non-
financial losses. In this case, the benefits and harms are incommensurable, meaning unable to be 
judged by the same standard.
Judging incommensurable tradeoffs is cognitively demanding (Tetlock, 2003) but unavoidable in non-profit management. Legal scholar Harvey Goldschmid notes that the duty of care may be more complex to enact in a non-profit context than it is a for-profit one for just this reason. While for-profit managers and boards may be able to focus narrowly on profit-maximization (over short or long term), non-profit fiduciaries must identify imprecise balances between financial security and mission fulfillment. To illustrate, he writes:

*It would be entirely in accordance with [a non-profit’s] duty of care and business judgment responsibilities, for example, for the directors of a nonprofit hospital to accept a low bid from one of several suitors because the chosen bidder would provide a far higher level of public benefit or service to the community. In most instances, a for-profit board would not have-and should not have-such freedom* (Goldschmid, 1997).

Goldschmid’s example makes clear that fulfillment of fiduciary duty need not maximize organizational revenue if doing so would limit the non-profits production of public benefit. Non-profit managers should find this license to exercise their judgement both liberating and daunting. When it comes to fundraising, their fiduciary duty can favor both donation acceptance and rejection. I venture no effort to provide analysis or frameworks beyond recognizing this potential. When only harms to the organization are considered, the manager’s decision of whether to accept rests on a case-by-case assessment of the relative benefits and risks.

## 5 Considering Harms beyond the Organization

If the harms are only accruing to the organization, then the challenge is in determining how best to live out one’s fiduciary duty. However, if the harms of a donation accrue to beyond the organization, managers must enlarge the scope of their analysis. In this section, I review how the provision of influence and recognition to donors can harm interests beyond the organization. In cases where such interests are set back, managers may face the challenge of reconciling their
fiduciary duty with a more general duty avoid harm. I address the potential for this conflict in this section.

5.1 Harms Related to the Provision of Influence

In return for a financial contribution, non-profits may sacrifice influence over their own operations. Donors may place conditions, or so-called strings, on financial contributions. Non-profits, for their part can accept these conditions or choose to negotiate them. These strings can include any of the following: restrictions on how the money can be used in the organization’s current programming, requirements that the money be exclusively used to begin new programs or serve new populations, contingencies for donor to withhold or clawback funds if the non-profit takes public action (e.g., advocacy) of which the donor does not approve requirements that the corporate donor retain veto power over other potential donations to the non-profit. These strings grant varying degrees of control over non-profit operations to donors that can extend well beyond oversight of a particular gift.

Some examples illustrating the potential harm of granting donors influence may be useful. In 1907, a deceased donor named Anna Jeanes bequeathed Swarthmore College a tract of land said to be worth one million dollars on the condition that the school eliminate intercollegiate sports. The Swarthmore endowment was less than $1 million at the time, making the gift a potential boon to the organization. The gift was ultimately refused but only after substantial debate among alumni and in local press (Clark, n.d.).

In a more contemporary example, the financial institution BB&T offered colleges and universities gifts averaging $1.1 million throughout the early 2000s. What BB&T typically asked in return was the design of a new course that included discussion of Ayn Rand’s Atlas Shrugged.
and in some cases, the creation of a chaired faculty position, speaker series or other programs. More than 63 colleges and universities accepted these donations (Beets, 2015).

One can imagine hypothetical cases in which the harms caused by influence are more severe. Consider a case in which a donor to a non-profit health clinic stipulates that donated monies cannot be used on undocumented immigrants, who typically form a large part of the patient base. More harmful still, imagine a donor who says that the money will only be transferred if the clinic agrees not to treat any undocumented patients at all. Historically, donors have offered analogous gifts with the race of patients stipulated; the legality of some donations with race-specific conditions were settled in the courts only in the last 20 years (Roig-Franzia, 2002; Roylance, 1999).

Non-profits may also choose to grant a donor influence without the donor conditioning money. It is common practice, for instance, to ask large-money donors to join non-profit governance boards. Non-profit managers may intentionally provide this influence in an effort to show gratitude for the donation.

Non-profits can also grant donors influence without intending to do so. When a non-profit finds itself reliant on a donor for survival, such dependency can grant a donor greater influence than would be typically specified in a donation term sheets. Zephyr Teachout’s discussion of political corruption and cycles of dependence between elected officials and political donors illuminates this organizational risk well (Teachout, 2014). Particularly when donations are large, non-profits may be unable to sustain programming without returning to the donor in the

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27 The framers of the constitution were committed to “independence” not only at the country-level (e.g. independence from the British crown) but also at the level of the individual political official (e.g. independence from corporate and foreign interests). This focus gave rise to the Emoluments Clause in the Constitution, which concerns not only financial gifts but “any profit, gain or advantage of more than de minimus value (Teachout, 2014).”
hopes of re-upping the gift. The expectation within the non-profit management that it will have to return to the doorstep of the donor with hat-in-hand can influence the strategy of the non-profit without any explicit “strings.” This expectation creates what Jonathan Marks refers to as the “tyranny of the next gift” scenario, which he explored with respect to public health agencies partnering with corporate interests (Marks, 2019).

Non-profit efforts to keep donors satisfied with their relationship can lead to non-profits taking action beyond the scope of their own organizational activities. Recent work by Marianne Bertrand at the University of Chicago found that corporations may use donations to non-profit organizations to influence federal regulatory policy. In a particularly clear case, telecommunications giant AT&T had made grants to non-profits as diverse as NAACP, Gay and Lesbians Alliance Against Defamation (GLAAD), a homeless shelter in Louisiana and a scholarship fund for Asian and Pacific Islanders, all of which in turn wrote comments to the Federal Communications Commission in support of AT&T’s proposed merger with T-Mobile. AT&T denied allegations of a quid pro quo, but as Teachout argues persuasively, pro quos are often implied rather than demanded outright (Bertrand et al., 2018).

5.2 Harms Related to the Provision of Recognition

Non-profits can also bring about harms when they provide donors with recognition. Recognition can create harm by helping a donor to avoid legal punishment or regulation or by helping a donor to win public favor. Again, a view that recognition is warranted need not be surrendered in order to recognize the potential for these harms.

When non-profits provide donors recognition, donors are able to wield that recognition to make a case in courts of law or public opinion that they are good actors. To the extent that a non-profit’s recognition helps donors to evade legal punishment or regulation that would otherwise
be rendered, the interests of victims or the public may be set back. The interests of justice may be set back where donors are able to use discretionary donations to purchase their way out of fair treatment before the law.

Jeffrey Epstein’s behavior provides ready illustration of how non-profit recognition can bring about harm. The New York Times reported in 2019 that Epstein used philanthropic donations to ingratiate himself with local leaders in the Virgin Islands, including donating 50 computers to schools and youth organizations, scholarships for a beauty pageant and a 2014 science and math fair for children in the Virgin Islands. Epstein then cited these donations in a 2012 application for one of his companies Southern Trust to take part in a tax break program. A lawyer representing Epstein referenced these donations in a public hearing about the application, saying “Those of you who know Mr. Epstein know that he has given generously over the course of the last 11 years to various charities in the Virgin Islands (Eder 2019).”

Even when a donor is not seeking to alter their legal standing, they can use their status as a donor to maintain or win public support. Concerns about the recognition and legitimation of donors appears to have been at the heart of several of the most recent public debates about non-profit behavior. The MIT’s Media Lab acceptance of Epstein money typifies this concern. Even though the MIT Media Lab attempted to avoid publicly recognizing Epstein, the Executive Director wrote in a public apology that he regretted having “disempowered [Epstein’s] victims” by accepting his money (Helmore, 2019). MIT’s president addressed this same point in a public communicating, suggesting that the institution now recognized “that we allowed MIT to contribute to the elevation of his reputation which in turn served to distract from his horrifying acts (Farrow, 2019).”
An admittedly extreme hypothetical example may again help make the point most clearly. Most people both within the non-profit world and beyond share an intuition about the following scenario: imagine that the American Nazi Party offers to donate $1 million to a non-profit you support. Do you encourage the non-profit to accept the donation or not? Most answer “No” even when the potential donation amount is increased to very high amounts. In fact, many people have an intuition that no amount would justify acceptance of such a donation. It can be difficult for practitioners to identify exactly why they feel strongly against the non-profit accepting the money but they sense problems associated with being in a relationship to such a donor.

Understanding what non-profits provide to donors when they recognize them provides a theoretical basis for this intuition. Non-profit organizations are infused with value (Kramer, 1982). Lester Salamon describes them as mediating institutions that offer individual Americans the opportunity to demonstrate social solidarity with one another. In this respect, he wrote:

*Nonprofit organizations embody, and therefore help nurture and sustain, a crucial national value emphasizing individual initiative in the public good. They thus give institutional expression to two seemingly contradictory principles that are both important in the American character: individualism and solidarity. By fusing these two principles, nonprofit organizations reinforce both, establishing an arena of action through which individuals can take initiative not simply to promote their own well-being but to advance the well-being of others a well* (Salamon, 1997).

Professor of Social Policy, Peter Frumkin, similarly notes that:

*An important part of non-profit and voluntary activity is expressive in character and speaks to the need people feel to enact values, faith and commitments through work, prayer, philanthropy and volunteerism* (Frumkin, 2002).

This enactment of values allows the organization to symbolize the community’s aspirations and identity. In view of these theories of non-profit organizations, I suggest that non-profits

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28 Both Salamon and Frumkin recognize that non-profits have instrumental worth in addition to the expressive worth that they describe. In this sense, they follow Selznick’s intuition that most entities contain elements of both “rational instrument engineered to do a job” and “receptacles of group idealism (Selznick, 1957).” The tradeoff between
possess “moral credibility.” In recognizing donors, non-profits transfer moral credibility donors.29

When a non-profit transfers moral credibility to a donor who uses it to evade legal repercussions, the harm done is clear enough. It is more complicated to determine whether harm has been done when a non-profit transfers moral credibility to a donor looking to win public support. Holding concerns about harms to past victims aside, a judgement about whether the donor deserves to enjoy public support must be made in order to determine whether the credibility transfer has done harm. Non-profits may be poorly equipped to make the determination of desert. Moreover, some may argue that it is entirely appropriate for non-profits to help individuals and businesses to rehabilitate their image after wrongdoing. According to such a view, people who have been ex-communicated (or “cancelled”) can be invited back into polite society through their relationship with non-profits. If a financial relationship is sufficient to win re-entry, adherents to this view of non-profits must confront a series of equity-related questions regarding why those with disposable income should be more readily re-ingratiated than others.

expressive values and instrumental performance is a persistent managerial challenge for non-profits leadership (Frumkin, 2002).

29 I arrived at this framing after reading about another kind of credibility transfer has been described by Justin Heinze and colleagues in the context of corporate crises. Using a lab experiment study, they found that a company that faces a crisis can re-establish trust with stakeholders by announcing an independent investigation by a third party. In the case of Heinze et al’s research, the crisis stemmed from dangers discovered in a consumer-facing product and the third party was described as a “consumer advocacy group.” Even when the results of the consumer advocacy group’s independent investigation were unknown to study participants, participants rated corporations who commissioned an investigation from the third party more positively than those that did not. In other words, credibility transfer proved an effective method of boosting the company’s reputation. Heinze and colleagues did not make explicit whether the consumer advocacy group was a non-profit or for-profit, but the study suggests a pathway for how non-profit organizations can benefit donors particularly those with moral credibility deficits. In other studies of corporate reputation, authors have found that young companies with little to no previous behaviors for the public to judge can borrow reputation from prestigious third parties. Through their decision to affiliate with a new firm, these third parties can “signal to distant stakeholders the worthiness, quality and potential of a new firm (Oxford Handbook of Reputation).”
In view of these concerns about the provision of recognition, I have aimed here to outline the way in which the provision of influence or recognition can cause harms to people beyond the organization. Identifying potential harms is not sufficient to make an exchange impermissible. Deciding permissibility requires an “all things considered” consideration of how a manager’s duty to the organization can be reconciled with a duty to avoid harm.

5.3 Duty to Do No Harm

Previously, I suggested that when managers recognize the potential for harm to be done the non-profit organization, they must decide whether acceptance or rejection is a truer fulfillment of their fiduciary duties. The potential for acceptance to do harms interests beyond the organization requires a different framing of the problem. In such cases, non-profit managers face an apparent conflict between two duties – the first being a fiduciary duty and the second being a duty springing from everyday morality to do no harm. The latter duty is not role-specific for managers. It is as close to a universal moral law as moral philosophers can identify.

To appreciate the central role that a duty to do no harm has in moral philosophy, consider Bernard Gert’s definition of morality:

An informal public system applying to all rational persons... governing behavior that affects others, and includes what are commonly known as the moral rules, ideals and virtues and has the lessening of evil (harm) suffered by those protected by the system as its goal (Gert, 2004).

He further argues that all rational actors try to avoid harm. Philosopher Judith Lichtenberg agrees that “so-called negative duties are about as well established as any moral duties can be,” and suggests that while duties to aid people are limited or imperfect, the duty to avoid harm is strict or perfect (Lichtenberg, 2010).
Nien-hê Hsieh has extended Gert’s discussion of everyday morality to argue that the standards people endorse in their non-professional lives provide a reliable guide for corporate behavior (Hsieh, 2017). Negative responsibilities such as the duty to refrain from harm are particularly well-established and should be adhered to in the market as well as society. To the extent that a duty to avoid harm exists for businesses, it may be even stronger among non-profit organizations whose stated purpose is to be charitable.

Hsieh’s position is not unanimously held. Other scholars of business ethics have argued that the moral laws that apply to everyday life should not be applied to professional behavior. These scholars argue that acts that are immoral for the general public can be moral for those occupying specific roles such as doctors or lawyers (Mellema, 2003). With regard to business, scholars have argued that a specific moral code is necessary because efficient markets rely on the pursuit of individual actors’ self-interest. Alan Carr, for instance, has argued that lying in the course of business negotiations is defensible because no one expects the truth (Carr, 1968). More generally, the Market Failures Approach to business ethics seeks to derive normative standards from the basic economic assumptions underlying markets and argues that the competitive nature of business allows managers to abide by more permissive rules than everyday morality (Heath, 2014). Adopting an analogous view for non-profit managers would require arguing that non-profit organizations achieve their social purpose through a competitive market and therefore non-profit managers should be granted more permissive standards than everyday morality. While the business ethics community has yet to converge around a view on the appropriateness of the Market Failures approach for the business community, I find it difficult to accept this argument.
It is straightforward to imagine how a duty to the non-profit organization and a duty to avoid harm may conflict in an assessment of whether or not to accept a donor’s offer. I find it to be of little import whether or not the co-existence of these two, potentially conflicting duties, constitutes a formal ethical dilemma in the philosophical sense. Reasonable non-profit managers may experience it as an apparent conflict. I aim to reconcile the apparent conflict between these duties in the context of non-profit fundraising more completely than others have to date in Section 6 and propose a structural solution that would relieve non-profit managers of the analytic burden in Section 7.

6 Resolving the Apparent Conflict between Competing Duties

In this section of the paper, I propose a framework that non-profits may use to assess the permissibility of accepting donations. The framework is not intended to outline areas for fruitful conversation among non-profit managers rather than to set threshold values for decision-making. It takes as its starting point that neither a manager’s fiduciary duty nor their responsibility to avoid harm are absolute. In other words, each may be overridden depending on the context of a case. This accords with generally accepted practice. Managers do not remain at work for all their waking hours, foregoing family and social events, in order to further the interests of the firm. Nor do managers lie, cheat or steal at every opportunity in service of their employer. We accept these realities without condemning said managers as failing to uphold their

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31 I use the term permissible in this section with caution. Acts that I refer to as permissible may actually be only ruled out from impermissibility. Therefore, managers should proceed with caution and organizations may rightly wish to erect higher ethical standards than those that I put forth.
fiduciary duties. Standard practice indicates that the duty to avoid harm is bounded as well. Friends tell other friends difficult truths that are certain to hurt feelings. We purchase clothing from manufacturers who we know are engaged in poor labor practices.

The challenge at hand is to identify under what conditions a manager’s fiduciary duties to the organization should override the responsibility to avoid harm and vice versa. The framework is developed in two parts. I first propose differentiating between scenarios in which the harms brought about are unknown, intended and foreseen and then propose contrasting each of those types of harms against the fiduciary duty to the organization. In prioritizing the manager’s fiduciary duty in some cases, the framework accepts that certain harms may be unavoidable. I use the next section to propose a structural intervention – the use of blind trusts – which would systematically eliminate a greater proportion of the relevant harms if implemented.

6.1 Differentiating Duties to Avoid Harm

The duty to avoid harm can feel overwhelming when one considers the amount of harm a person contributes to on a daily basis. A non-profit manager considering the harms I outlined above might feel that acceptance of a donation brings about harm to several constituencies via multiple mechanisms. It may be tempting to abandon the analysis at this stage.

Thankfully for the distressed manager, philosophers have assigned varying levels of culpability for different kinds of harms. Two distinctions, in particular, provide a useful starting point for establishing a framework for donation acceptance. Within the general duty to avoid harm, moral agents are held to a higher standard to avoid harms about which they are aware than those about which they are unaware. Among harms about which the agent is aware, the
business ethics literature has recognized a higher standard for avoiding intentional harm than to avoid unintentional (or merely foreseen) harm (Monge & Hsieh, 2019). An agent’s intention can be conceived in terms of a present- and future-oriented chain of practical reasoning that explains why one chooses to adopt a particular plan. I follow Rosemarie Monge and Nien-hê Hsieh in arguing that this intention-based distinction is appropriate:

\textit{Merely foreseen effects are not chosen in the same way as intended effects... we are rightly held to a higher standard of justification with regard to what we intend, rather than what we merely foresee, because it is more intimately bound up in the exercise of our moral agency} (Monge & Hsieh, 2019).

Similarly, Charles Fried has argued that the moral injunction “do no harm” can only be understood as categorical with regard to the harms that we intend, rather than all the harms that may result from our actions (\textit{Right and Wrong—Charles Fried} | Harvard University Press, n.d.). Competing theories of moral culpability argue that intention is irrelevant because “the road to hell is paved with good intentions (Thomson, 1999).” Nevertheless, I find the distinction between intentional and unintentional harms useful in gaining analytic traction on a set of potential harms that is otherwise virtually unbounded. Moreover, because this framework is intended to be used by non-profit managers themselves, it is not unreasonable to think that they can assess their own intentions.

The distinction between known and unknown harms, and more saliently, intended and unintended harms, underscores the relevance of case specifics in assessing whether non-profit managers ought to privilege their duty to the organization (and accept a donation) or the duty to avoid harm (and reject). In the remainder of this section, I consider the permissibility of donation acceptance in three circumstances. The first is one in which the non-profit does not know that an exchange is going to cause harm (6.2). The second circumstance is one in which a
non-profit knows that it is going to cause harm and intends to do so (6.3). Each of these are straightforward circumstances wherein I argue that one duty consistently trumps the other. In the third circumstance, the non-profit knows that a harm may be brought about by acceptance but does not intend it (6.4). Because this is a moral grey zone, additional conditions need to be supplied in order to separate donations that are permissible from those that are impermissible. In the discussion of this circumstance, I draw heavily on accounts of institutional complicity by business ethicist Rosemarie Monge and others. Throughout, I aim to identify cases in which acceptance is morally impermissible on the basis that impermissibility can be known with more certainty than permissibility. Following Monge and Hsieh, I suggest that non-profits view those circumstances in which acceptance is not deemed impermissible as invitations to proceed with caution rather than endorsements of permissibility.

6.2 Unknown Harms vs Managerial Duty

The first circumstance is one in which the non-profit does not know that acceptance is going to cause harm. Consider a non-profit that accepts money from a wealthy individual and recognizes his donation by naming him “citizen of the year.” One year later, he is arrested for robbing a bank. People may rightly suggest that the non-profit rescind their recognition of the man but it is impossible to argue that the exchange should not have been undertaken because the harm was unknowable.

A more difficult case may be one in which it is possible for the non-profit to know about a harm but a due diligence process fails to identify it. Imagine the harm that may be done to a domestic abuse victim to see their spouse recognized by a non-profit as “citizen of the year.” Or think of a more complex, but not uncommon, case related to influence. A non-profit with expertise in genetic research accepts money from a donor advised fund. The money is restricted
to doing research on the genetic basis for lung cancer. The non-profit undertook its due diligence and accepts the money, only to later find out that the money came from a tobacco company. The tobacco company had funded a coordinated set of genetics research projects that were intended to make the role of smoking look diminutive in causing cancer. I share a common intuition that the non-profits in these cases cannot be held responsible for harms that they did not foresee. Political theorists Robert Goodin and Avia Pasternak refer to this as unavoidable ignorance (Goodin & Pasternak, 2016).

Although non-profits should not be held culpable for unknown harms, ignorance cannot be permitted to be a refuge for negligence. Rather than simply asking whether a donor knew about potential harms, I suggest evaluating non-profit culpability based on whether they should have known. Philosophers David Luban, Alan Stradler and David Wasserman diagnose a common organizational practice in which responsibility for harms are unattributable and propose this threshold question in response:

*The result is the deep paradox of the “rule by Nobody.” When neither superiors nor subordinates may be held responsible, we face an uncanny situation in which responsibility has seemingly been conjured out of existence (2363)... “Did they know or did they not?” is a "second-rate" question – because the right question is “Should they have known?” Accordingly, we propose to give the concept of culpable ignorance a more central role in assigning responsibility for organizational wrongdoing (Luban et al., 1992).*

Setting a threshold question as “should they have known?” helps to assign responsibility for harms that an organization may claim an unreasonable level of ignorance. In sum, if we take it that a non-profit was neither aware nor should have been aware of harms related to a donation, I find it unreasonable to exclude acceptance from permissibility.
6.3 Intended Harms vs Managerial Duty

In a second circumstance, a non-profit manager may face the decision of whether or not to accept a donation that would bring about intentional harm. Consider again the case in which a prospective donor is prepared to make a large donation to a non-profit health clinic but requires the clinic to stop the provision of care to undocumented immigrants. In this case, setting back the interests of the undocumented immigrants would be part of the clinic’s plan to win the donor’s financial support and therefore is intentional. The clinic would be withdrawing care from the undocumented immigrants because it is what the donor required to complete the transaction not in spite of some other plan. The harm is, in effect, a means to the non-profit’s end. Similar circumstances could be imagined, wherein recognition is given to a donor in exchange for the financial contribution.

In most cases, the provision of recognition does not rise to the level of intentional harm because even if the recognition of a donor leads to harm, the harm done is not part of the non-profit’s plan. When corporations successfully evade taxations on account of the positive press generated by their philanthropic giving, for instance, the harms done to the socially vulnerable who would have otherwise benefitted from a stronger tax base cannot be said to be part of the non-profit’s plan. In order for harm that a non-profit does in providing recognition to be intentional, two conditions would have to be met: (1) the recognition would not only have to bring about harm but be a harm unto itself and (2) the recognition would have to be either required by or in pursuit of a financial donation. It may be possible to imagine contrived circumstances when such circumstances are met. Consider a non-profit that provides abortions to vulnerable women and is approached by an outfit that is named “Abortion is Murder” and this outfit offers to donate $10,000,000 in exchange for naming rights over the lobby. If merely
placing this outfit’s name in a lobby would set back the interests of the non-profit’s clients, and the non-profit provided the recognition as part of a plan to generate funding, then harms flowing from recognition may be deemed intentional.

In both cases, the financial end that the non-profits is pursuing are consistent with a fiduciary duty to the organization. A consequentialist may argue that with additional resources, the clinic could treat more patients overall or even further the interests of women seeking abortions. While this may be true, such reasoning can quickly open up justification for all manner of wrong acts in pursuit of additional resources. Rather, a principled account finds that the duty to avoid intended harm should be privileged over the duty to the organization based on the strength of the relevant duties. Exchanges with donors that require the non-profit to do intentional harm are therefore impermissible.

6.4 Unintended Harm vs Managerial Duty

In a third possible circumstance, a non-profit manage faces the decision of whether or not to accept a donation that would bring about unintended but foreseen harm. This circumstance is likely the most common that managers will face in their fundraising and it presents the most complex ethical analysis. The complexity arises from the lack of a clear precedent between the duties: that to avoid unintended harm and the fiduciary duty to the organization. Consider a non-profit that is offered money by a known mob boss. If the non-profit manager accepts the money and provides the mob boss with even passing recognition, they recognizes that may be setting back law enforcement’s interests to generate the public will to end the mob boss’ operation. People may read the mob boss’s name on the non-profit’s website and surmise that he is doing sufficiently good work for the community that he need not be held accountable for his crimes. Setting back the interests of law enforcement is not the intention of the non-profit in the sense
that it is not part of the non-profit’s plan to win resources. Rather, it is an unintended harm brought about by the exchange of money for recognition. The non-profit is in the causal chain that brings the harm about even if it intends otherwise. This is the nature of most concerns about harms due to recognition, save for my extreme example about the abortion clinic above.

In cases where a non-profit faces limited duties to avoid unintentional harm and a duty to the organization, I find no grounds to argue that a manager should consistently privilege either duty. The challenge is in determining the conditions under which one should be privileged over the other. Following Monge’s account of institutional complicity, I propose that there may be cases in which managers can be “permissibly complicit” in bringing about unintentional harms. The idea of permissible complicity provides non-profit managers with a justification for accepting donations under certain circumstances even though they stand to bring about harms.

According to Monge, institutional pressures to participate in the wrongdoing of others renders some forms of complicity “permissible.” She defines institutional pressures as pressures coming from “the political and social framework in which businesses operate and which is promulgated through the use of law and custom.” Monge uses Google’s decision to enter the Chinese market in spite of censorship requirements as an extended case; she argues that doing so may have been an act of “permissible complicity” in light of competitive market pressures that encouraged Google to prioritize its interests over any obligation to avoid harm.

Monge is careful to stipulate that the mere existence of institutional pressures does not create the conditions for a business to claim that their unintended harms are permissible. Rather, Monge imposes two further conditions on managers who wish to use a permissible complicity rationale to justify their actions. The first condition is that the actor must hold and act on an intention to minimize his or her complicity in another’s moral failure. This commitment, she
suggests, will imply a commitment to improve the circumstances that necessitate complicity in the first place. The second condition is that managers must find a way to express their intention to bring about a more just environment over the long run.

I find permissible complicity to be a useful concept for non-profits because they face pressure from the political and social framework to accept of donor funds. The political and social framework of the United States relies on non-profits to carry out safety net activities that governments undertake in other countries. To the extent that one believes that housing or health care, for instance, are political or natural “rights” then we must also recognize that the current division of labor designed to provide for these right exerts pressure on non-profits to remain financially solvent. Even holding the question of rights aside, non-profits experience social pressure to respond to what Dr. Martin Luther King called “the fierce urgency of now.” The history of non-profits in this country exerts similar customary pressure in favor of non-profits accepting funding. Many of the country’s largest foundations have been established by people whose professional careers involved substantive wrongdoing and philanthropy has, until very recently, been a socially acceptable means of rehabilitating a reputation.

Given these pressures, it is natural for managers to want to find a way to “get to yes” on a donation. The requirements that Monge sets out for permissible complicity can be adapted to the non-profit context to substantiate acceptance. The first condition requires non-profit managers to minimize their role in donor wrongdoing. Fulfilling this condition may include the following:

- not providing wrongdoing donors more recognition or influence than necessary to accomplish an exchange
- publishing statements that make clear that the acceptance of donations is not an endorsement of donor’s business or personal practices,
- keeping donor identities anonymous in cases where recognition is a concern
• bringing counter-veiling sources of influence into the organization where influence is a concern

Non-profit managers may fulfill the requirement to improve the conditions that necessitate complicity in the first place by working towards more systemic reform of the non-profit sector, the likes of which Rob Reich outlines in his work and I explore in the next section. Efforts to expand the role of government may also help limit the pressure that non-profits feel to accept donations.

The second requirement, which is expressive in nature, requires that non-profits declare their intentions to bring about a more just charitable giving environment over the long run. Fulfilling this expressive function may be uncomfortable for non-profit managers as it risks bringing attention to the current conflict between their fiduciary duty and concerns about harms done. Philosopher Michael Walzer provided an explanation for why political actors should be willing to publicly concede that they had done wrong in spite of the discomfort it causes. Walzer was concerned with instances where politicians had dirtied their hands by overriding moral absolutes in pursuit of utility maximization. Discussing what he calls the logic of public guilt, Walzer suggests that when political actors communicate their guilt, they can heighten the public’s willingness to hold future actors accountable and in so doing, influence the consequentialist calculus of future political actors. In this way, announcements of public guilt can serve to bring a more just environment into being, as Monge requires.

Political scientist Boris Litvin provides an additional interpretation of Walzer’s logic of public guilt, which may be equally relevant for non-profits. Rather than increasing accountability, Litvin suggests that a political actor’s goal in announcing public guilt should be increasing the public’s awareness. He suggests that a political actor should make clear that her action:
...has embodied the political community’s contradictory moral demands, carrying them out to their logical ends. As such, our political actor’s public guilt functions to expose a condition of political action itself (Litvin, 2011).

In so doing, public declarations of guilt can reflect a community’s logic – including apparent contradictions - back onto itself and open a space for critical examination of the community’s moral and political attachments. Non-profit managers’ efforts to bring a more just environment into being may therefore include the creation of public space for examination of the contradictory moral demands placed on them.⁴³

I propose to add a third condition in order for acts that bring about unintentional harms to be permitted under the heading of permissible complicity. The third condition is that managers ensure that the benefits of an exchange are proportionally grave to unintentional harms permitted and cannot be raised from an exchange posing fewer risks. The inclusion of this condition makes the criteria for “permissible complicity” very near to those featured in the Logic of Double Effect (Anscombe, 2000; Monge & Hsieh, 2019). The key difference is that this account of permissible complicity enacts higher standards for permissibility by requiring that managers take expressive action to limit their complicity whereas LDE requires only that managers do not intend harm.

The inclusion of such a proportionality criteria renders it impermissible for non-profits accept donations that pose substantial unintentional harms and yields small benefits. To do so would be to license unnecessary risk of harm. Assessing proportionality requires assigning

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⁴³ A close read of Litvin makes clear that the motivation for a politician to announce public guilt differs from the motivations for standard disclosures of conflicts of interest in academic publishing or other professional realms. Litvin’s goal is for an announcement of public guilt to invite members of the public to join the politician in considering why she did the wrongs she freely admits. If we assume that readers are attentive to them, conflicts-of-interests disclosures are published with the goal of providing information to readers so that they can better judge the risk of whether a professional has done wrong. If we assume that readers were never attentive or have grown immune, conflicts-of-interests are published as a procedural move to stave off ethical critique. In sum, the announcement of public guilt is intended use the politician’s guilt as a case study for the community to reflect upon whereas the COI disclosure is intended to insulate the professional from rebuke.
magnitudes to both benefits and harms, of which there may be multiple kinds. I have reviewed many harms but the potential for multiple benefits is no less real. In addition to the financial resources, some non-profits may find a corporate donation acceptance, for instance, because it stands to open up a dialogue that could lead to reform of corporate culture or practice.

In summary, this framework has proposed a way of conceptualizing whether a fiduciary duty or duty to avoid harm should override in order to judge whether the acceptance of a donation is impermissible. I argue that donations that pose only unforeseen harms are not impermissible and those that pose intentional harms are impermissible. The most complex scenarios are those in which the harms are foreseen but not intended and in these cases, acceptance can be permissible only when three conditions are met. Managers must take action to minimize their complicity in the harm, they must express their intention to reform the institutional environment which gives rise to this harm and they must assess the proportionality of harms and benefits. In cases where these criteria are not met, acceptance remains impermissible.

Table 1: Taxonomy of Donations Based on Harms

<table>
<thead>
<tr>
<th>Circumstance</th>
<th>Type of Harm</th>
<th>Privileged Duty</th>
<th>Permissibility of Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Acceptance Causes Unknown Harm</td>
<td>Fiduciary Duty to the Organization</td>
<td>Permissible</td>
</tr>
<tr>
<td>(B)</td>
<td>Acceptance Would Bring About Intentional Harm</td>
<td>Duty to Avoid Harm</td>
<td>Impermissible</td>
</tr>
<tr>
<td>(C)</td>
<td>Acceptance Would Bring About Known, Unintentional Harm that Meets “Permissible Complicity” Standards</td>
<td>Fiduciary Duty to the Organization</td>
<td>Permissible</td>
</tr>
<tr>
<td>(D)</td>
<td>Acceptance Would Bring About Known, Unintentional Harm that Does Not Meet “Permissible Complicity” Standards</td>
<td>Duty to Avoid Harm</td>
<td>Impermissible</td>
</tr>
</tbody>
</table>
Figure 2: Apparent Conflict and Resulting Circumstances

I anticipate a handful of objections will be raised against this framework. The first objection is a concern about agents can always describe their intent in ways that avoid responsibility for intending harm. In other words, this is an objection to the premise that intention and foresight can be reliably distinguished. A version of this concern is raised against any account that asserts such a distinction (Bennett, 1980; Fitzpatrick, 2006). Readers may wonder whether non-profits could truthfully claim that no harm is ever intended, regardless of how closely linked the harm is to a stated intention. Following Monge and Hsieh, I suggest that this objection is less serious in consideration of specific cases than it is in the abstract (Bhargava & Velasquez, 2019). Close examination of a non-profit manager’s chain of practical reasoning should reveal intent.34
The following illustrates both the concern of closeness and the way in which close examination of the chain of practical reasoning can provide reliable distinctions. Consider a non-profit that is offered a large unrestricted gift from a political figure. Nothing is contractually required of the management team in order to receive the financial contribution but the team knows that in the future they will offer the donor a board seat, as is their standard practice or donors at this contribution level. I have argued that the offering of a board seat risks creating harm to the organization. In order to determine whether or not to engage in this exchange, determining whether the potential for harm is intention or unintentional is a first step. Attention to the details of the case must be paid. If the board seat was required in the terms of the gift, then we might say that the harm was intended in order to secure the money. Similarly, if the board seat was offered to the donor after this gift but in order to secure future gifts, then we may again deem it to be intentional, albeit part of a different line of practical reasoning related to future contributions. If, however the board seat is truly intended as an act of gratitude without any motive to further the interests of the organization, then the harm may be said to be unintended.

The second objection, which is more procedural, is that the framework begs the need for a due diligence standard which I have failed to specify precisely. A manager may reasonably feel concerned that they must somehow gain perfect knowledge of everything a donor has done over the course of her lifetime, including not only what is in the public record but also what lies beyond. I recognize the need for such a standard to prevent the gaming of the framework in two senses: without a due diligence standard, non-profit managers could (a) claim ignorance of harms of which they should have been aware and (b) claim that a donation offer satisfies the proportionality condition by underestimating the potential for harm.
A precedent for a due diligence standard exists in the business judgement rule (BJR), which is binding on for-profit managers. The BJR is a legal standard and holds that managers who have made decisions “on a reasonably informed basis” cannot be held liable for doing what they believed to be in the best interests of the corporation. Goldschmid argues that this “reasonably informed basis” can be adapted to the non-profit context, making it available as a due diligence standard for non-profit managers’ decision-making about donation acceptance. The American Law Institute specifies factors to be taken into account in determining whether a manager’s judgement was reasonably informed. Adapting terminology for a non-profit context, these factors include: the importance of the decision to be made, the time available for obtaining information, the costs related to obtaining information, the managers confidence in those who explored the matter and the state of the non-profit at the time, including competing demands for board attention (Goldschmid, 1997).

As these factors make clear, it is all but impossible to identify a single due diligence standard given the diversity inherent to the non-profit organization landscape. Harvard Medical School has more than 50 full time development employees while many other non-profits do not have a single staff member who is devoted full time to the task. As a result, I suspect that each organization will need to develop its own more specific standard and be transparent with stakeholders about what that standard is. In the abstract, one can only assert that organizations with more substantial resources should be held to higher standards of due diligence than those with fewer resources.

A third, more general, objection is that the framework is overly permissive. Readers may have previously committed to a series of more restrictive “bright lines” for managers. For instance, it might be tempting to argue that non-profits should not accept ill-gotten gains or, non-
profits should not accept money from organizations whose values are not concordant with their own. Each of these standards has workability problems in the sense that identifying the relevant range of gains and values is difficult. These more restrictive permissibility standards also fail to conform with our intuition about dire circumstances. For instance, imagine that a violent warlord offers to donate to a Liberian health care non-profit in the midst of the Ebola crisis. According to either of the high standards mentioned above, the non-profit would not be able to accept the funds. My account accommodates acceptance under such emergency conditions.

Some readers may remain unconvinced that this framework provides non-profits with a reliable means of assessing impermissibility of donor offers. In the next section, I propose an idea for a structural solution in order to respond to the charges that the framework is unsatisfactory.

7 A Structural Solution: Blind Trusts

In describing the nature of donor-non-profit relations as an exchange, I set aside one scenario: that in which a non-profit does not know the identity of the donor and therefore cannot reciprocate a financial contribution with either influence or recognition. While it is fairly common for non-profits to keep the names of donors anonymous with regards to the public, it is rare for non-profits themselves to be shielded from the identity of the donor. The latter scenario provides useful traction for a structural solution to the problems related to harms and influence. In this final section, I propose to intentionally blind non-profits from knowing the identity of donors. Doing so would provide a structural solution insomuch as it would eliminate a substantial set of potential harms without relying on individual managerial decisions about whether to accept or reject.
7.1 Blinding in Other Sectors

Other sectors rely on blinding to prevent decision makers from being coerced by knowledge of various sorts. In scientific inquiry, “blinded” experiments require that research participants not know whether they have received a treatment or control intervention have become the gold standard (Schulz & Grimes, 2002). Double-blinded experiments, in which neither the research participants nor scientists know who has received treatment, are considered better still. For similar reasons, academic publishing has adopted “blinded peer review” to avoid knowledge of an author’s identity from swaying reviewer evaluations. Other professional domains are considering the new instances of blinding too. In an effort to preserve the integrity of expert witness testimony, for instance, law professor Christopher Robertson has proposed blinding witnesses to knowledge of which legal team paid for their time.

A number of legal scholars have proposed various iterations of a blinded system for campaign finance in the United States. Legal theorist Ian Ayres has been a mainstay of the literature. In 1998, he wrote a Stanford Law Review article with Jeremy Bulow titled “The Donation Booth: Mandating Donor Anonymity to Disrupt the Market for Political Influence” (I. Ayres & Bulow, 1998) in which the authors argue that mandating anonymous donations is a more effective way of limiting political conflict of interest than disclosure. Ayres and Bulow propose a system in which donors could only make contributions to political candidates through that candidate’s blind trust, operated by a seasoned trust manager. The blind trusts would report to the candidates on a weekly or bi-weekly basis how much money had been donated, but would not detail the amounts. Four years later, Ayres co-authored a book titled Voting with Dollars: A New Paradigm for Campaign Finance with Bruce Ackerman detailing the idea further. A common concern with the Ayres’ first proposal was the following: could not a donor provide a
large donation and then contact a campaign directly to acknowledge to reveal themselves? To lessen this risk, the Ayres and Ackerman proposed that the blind trust “smooth” the rate at which they make disbursements to the campaign in order to limit the incidence of identifiable contributions.

In 2006, Ayres updated this proposal in a *Chicago Law Review* article, again with Bruce Ackerman. Therein, the authors propose a second-best strategy that would require fewer legal changes to enact. This proposal would allow donors to make contributions to candidate accounts via the Federal Election Commission (FEC), all of which would be publicly disclosed. In the five day period after the initial contribution and disclosure, however, any contributor would have the ability to withdraw the contribution in whole or in part without the FEC noting the change. The result, Ayres and Ackerman argue, would be largely the same as the original proposals for blinded trusts. Neither the candidates nor the public would know the true amount given (Ackerman & Ayres, 2006).

Both the original idea of donations through blind trusts and the second-best formulation retain the risk that individuals who donate to a campaign could self-disclose their contribution. In all cases, the authors rely on “cheap talk” as a solution to this concern. They argue that donors and non-donors alike would be able to claim that they had donated even large amounts to campaigns but no one would be able to do so with particular credibility.

The concept of blinding is primarily useful in the campaign finance reform space for its ability to limit the donors influence on a campaign and subsequently a politician’s career. If the idea of blind trusts is considered in the domain of non-profits, I find it has the additional benefit of eliminating the potential for non-profits to provide recognition to donors.
7.2 Blind Trusts for Non-Profits

My discussion of how institutional blinding could be used in a non-profit context is a sketch rather than a full proposal. Accounting for all of the relevant details of implementation would require another paper. Nevertheless, my hope is that even a cursory discussion can invite further thinking on what I believe to be a provocative avenue for reform.

In response to the concerns set out in this paper, the logic of institutional blinding could be adopted to blind non-profits and the public from the identity of their donors. In effect, all donors would become anonymous and the relationship that brings about harms under the current regime would be severed. Because the donors would know to whom they donated, this would be an instance of one-way blinding.

One could imagine an implementation scenario as follows. Each non-profit would have a blind trust managed by an independent third party. Campaign finance reform proposals identify “seasoned trust managers” to run the trust. For the purposes of non-profit implementation, I propose that local banks play the role of trust managers and be given credit for doing so under the Community Reinvestment Act standards. A donor who wishes to make a contribution would have to do so either online or by sending a check or cash to the trust manager at the bank. There would be no opportunity to “earmark” or otherwise include notes or conditions with the financial contribution. The trust manager would be prohibited from sharing information about the source or amounts of donations with the non-profit management or governance teams. At regular intervals, the bank would disperse the money in the trust to the non-profit. The goals of the blinded trust system would be shared with the public, making it seem potentially crass to identify oneself as a donor.
Non-profits would retain the ability to have a “Donate Now” button on their websites. Such a button would simply redirect to a contribution page managed by the blind trust. Similarly, non-profits would presumably retain some form of marketing or development capabilities in order to create annual reports, hold events etc. The goal of this work would remain largely the same: raising awareness of the non-profits work and inviting people to become involved either by donating money or other resources. The major change would be a diminishment of the “donor relations” function in which individuals and families are currently courted in the hopes of generating a large gift. While some non-profits may still retain this function, no non-profit would be able to identify the financial return-on-investment of such handholding with any certainty.

A blind trust system would not ban all interaction between members of the public and non-profits. There is value in individuals being able to feel that they are contributing to charitable work and this value could be preserved. Individuals and organizations would remain free to build relationships with non-profits by committing other types of resources – most notably their time, expertise and networks.\(^{35}\) Those who commit substantial amounts of these resources to a non-profit may develop a form of influence over the non-profit but nothing in this proposal exacerbates this potential beyond current levels. Non-profits could opt to recognize these non-financial contributors in place of financial ones.

Blind trusts could be adopted at a variety of scales, including by individual organizations, through collective action of several non-profits in a particular domain or at the behest of federal or state regulation. Collective action within a particular domain may be the most likely path, as it would eliminate concerns about competitive disadvantages and would allow for a friendly set of
organizations to share best-practices. Following some trial period in which pockets of collective action had refined a model, the Internal Revenue Service could make the use of a blind trust a requirement for 501c3 status. State Attorney Generals could take similar action in reviewing whether registered charities met the bar for municipal and state tax exemptions.

7.3 Concerns and Objections

Enforcement challenges remain a concern for non-profit blind trusts as they do in the campaign finance proposals. One might imagine non-profits being unwilling to relinquish donor relations departments and continue to direct excess attention at high-net-worth individuals. What is to stop such a target from simply telling the non-profit “I donated $1 million to your organization today”? No complete solution to self-disclosure has been identified to date.

Scholars’ suggestion of cheap talk is practically unsatisfying even if it makes conceptual sense. I have no novel plan to circumvent this objection. Credible self-disclosure poses a threat to the non-profit blinding scheme because it allows for non-profit decision-making to be influenced by the “tyranny of the next gift.” Even unstated donor preferences can hold sway because non-profits are always aware that they will need future funding. Accepting this problem, I would still suggest that a system of blind trusts could present an improvement from the current state even in a circumstance where a person credibly self-discloses. The harms associated with influence and recognition would be lessened because (a) the donation would be free of explicit conditions or strings attached and (b) the non-profit would be unable to provide recognition to the donor without highlighting the breach.
Concerns about agenda distortion in non-profits would not be addressed by the blind trusts system. Legal scholar Jonathan Marks has issued concern that donors have ability to fund non-profits that align with the personal or professional interests and in so doing, distort the public conversation or available evidence in a particular domain. Concerns about corporate funding of non-profits that conduct research or product policy briefs may be even more sensitive to concerns about agenda distortion. For instance, consider a soda company which generously funds a non-profit that promotes exercise among low-income children. The company may do so in order to diminish public awareness that increases in calorically dense foods play a substantially larger role in the risk of obesity than declines in physical activity. The blind trusts model erects to barriers to such activity.

The most substantial objection to the adoption of blind trusts is that the overall rate of charitable giving will decline substantially, leaving non-profits unable to fund their missions. It is impossible to know with confidence what proportion of current giving would be eliminated if blind trusts were the norm. A well-functioning market might reward a non-profit that adopts a blind trust because of the signal it sends about the organization’s integrity and the reductions in overhead that come with cutting development staff. Unfortunately, little about non-profit giving indicates a well-functioning market. In the existing literature on blind trusts for campaign finance reform, scholars have suggested the campaign contributions may “plummet” but no reliable estimates of the reduction from blind trust implementation have been made (Ackerman & Ayres, 2006; I. Ayres & Bulow, 1998; Ian Ayres, 2000). Even a modest reduction in charitable giving would be potentially catastrophic for many organizations in the non-profit sector.

The idea of blind trusts is not yet ready for implementation in the non-profit sector. More work would be required to test the feasibility of the idea with non-profits, refine the specifics of
how management of the trust would work and model the potential implications for non-profit spending. Nevertheless, I find the concept useful to work through in the current social and political climate. Given the outrage directed at many high-profile non-profits and the complexity involved in delineating an ethics framework for fundraising decisions, it is well worth considering whether a structural solution is possible. It may be that the trusts are ultimately not worth the effort but recognizing as much may help both scholars and the public to be more empathic towards managers who grapple with donation decisions in the current, non-ideal non-profit environment.

8 Conclusion

Recent news criticizing high-profile non-profits for their financial ties to wrongdoing has highlighted an apparent dilemma for many non-profit managers. When faced with a donation offer, they may face simultaneous obligations to further the interests of their organization and avoid harm. In this paper, I have argued that in many cases, what appears to be a one-way financial transfer should be understood as an exchange between a donor and a non-profit. Non-profits often provide donors with influence or recognition and bring about harms in the process.

This perspective on non-profit fundraising makes the ethical analysis of whether or not to accept donations considerably more complex than has previously been proposed. Whereas non-profit organizations have traditionally been viewed as inert receptacles for donor money, my treatment identifies an active role for managerial decision-making and seeks to hold managers responsible for certain harms that may brought about through donation acceptance. I outlined a framework by which non-profit managers may decide whether an exchange is impermissible
based on the non-profits awareness of and intent to harm. Recognizing that such a framework may be unfulfilling to some readers, I proposed a structural solution in the form of blinded trusts.
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Paper 3

Money Moves the Mare: The Response of Community-Based Organizations to Health Care’s Embrace of Social Determinants

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Abstract

Context: Recent health policies incentivize health care providers to collaborate with community-based organizations (CBOs) such as food pantries and homeless shelters to address patients’ social determinants of health (SDOH). The perspectives of health care leadership on these policy changes have been studied but the perspectives of CBO managers have gone unexamined.

Methods: Our research question was: how are CBOs in Massachusetts perceiving and responding to new Medicaid policies that encourage collaboration between health care organizations and CBOs? We interviewed 46 people in leadership positions at CBOs across Massachusetts for approximately an hour each. We analyzed this data abductively, meaning we iterated between inductively coding transcripts and consulting existing theories and frameworks.

Findings: We find evidence of a knowing-doing gap among CBOs. CBOs value their distinctiveness from health care and know that they want to avoid medicalization; nevertheless, key informants described a series of organizational changes underway in response to the new Medicaid policy, including the adoption of new performance metrics, hiring of clinical staff onto boards and senior management teams and use of medical language to describe non-medical work. We provide an explanation how it is that rational managers can maintain this knowing-doing gap. Drawing on institutional theory, we suggest that the non-profits undertake changes in an effort to demonstrate legitimacy to health care organizations, who may be able to provide new sources of critically needed revenue. We close with a discussion of the potential losses associated with the changes underway at CBOs, including a loss of focus on the most vulnerable populations.

Conclusions: Massachusetts CBOs perceive health systems as potential sources of revenue, due in part to an ongoing Medicaid redesign which encouraged health and social service integration. This perception is driving CBOs to change themselves to appear more like health care organizations, but the welfare impacts of these changes remain unknown.

Policy Points:

- Health policies that encourage health and social integration can induce CBOs to adopt new ways of working from health care organizations, including language, staffing patterns and metrics; these changes can be explained by CBO perceptions that health care organizations may provide new sources of revenue.
- While the welfare implications of these changes are not yet known, policymakers should consider balancing the benefits of professionalizing CBOs against the risks of medicalizing CBOs.
1 Introduction

Health policies are increasingly incentivizing health care providers to address the social determinants of health (SDOH).\textsuperscript{1–4} A growing literature indicates that interventions to provide housing, nutritional support and transportation can be both health-improving and cost-saving to health care providers and payers.\textsuperscript{5–10} These interventions often require collaboration between health care providers and community-based organizations (CBOs) with expertise in social service delivery. Addressing the social needs of patients, even in partnership with CBOs, requires health care delivery organizations to make potentially substantial changes, including the hiring of new workforces and collection of new patient data.\textsuperscript{11–15} The challenges and rewards of health care’s efforts in this regard have begun to be studied.\textsuperscript{16,17}

In spite of the large role that CBOs are presumed to play in meeting patients’ SDOH needs,\textsuperscript{18,19} sparse attention has been paid to the perspectives and potential responses of CBOs to SDOH-focused health policies. We aim here to address this gap in the literature by reporting findings from a qualitative study of CBOs in Massachusetts during an SDOH-focused Medicaid redesign in 2017-2018. Through qualitative data collection and analysis, we sought to understand how CBOs were perceiving and responding to health care’s increasing effort to address SDOH.

This analysis first describes a knowing-doing gap among CBOs. CBOs value their distinctiveness from health care and wish to avoid medicalization; nevertheless, key informants described a series of organizational changes underway in response to the new Medicaid policy and health care’s focus on SDOH more generally. These changes, which were in apparent contradiction with CBOs’ stated values, included the adoption of new performance metrics, hiring of clinical staff into board and senior management roles and use of medical language to describe non-medical work. I refer to the discord between CBO stated values and actions as a
knowing-doing gap. The paper then provides an explanation of how it is that rational managers maintain this knowing-doing gap. Drawing on institutional theory, we suggest that the CBOs undertake specific organizational changes in an effort to signal legitimacy to health care organizations.20,21 They do so based on a belief that health care organizations are in a position to provide new sources of critically needed revenue.

The paper proceeds in several parts. We first characterize the health policy context in which this study took place, both in Massachusetts and nationally. We then describe our methods, including data collection and analysis procedures. We next present our findings and discussion, where we draw on institutional theory to make the contributions described above. Finally, we comment on the potential welfare implications of the changes we describe among CBOs.

2 Motivation

With an eye towards population health and value-based care, health policymakers are recognizing the role that social and environmental factors can play in determining the health and health care utilization of low-income and other vulnerable populations.1,4 This recognition was particularly visible in the movement both in domestic and global health to encourage a “Health in All Policies” approach beginning in the early 2000s.22,23 More recently, payers and policymakers have begun financially incentivizing health care delivery systems to identify and address these SDOH, including housing, nutrition, transportation and social isolation.3,24,25

State Medicaid offices have been particularly active in pursuing ways to incentivize providers to address SDOH. Several high-profile 1115 waivers aim to address social determinants in order to reduce health care utilization. Among the most notable examples are ongoing Delivery System Reform Incentive Payments (DSRIP) and waivers in Washington,
Oregon, New York and Massachusetts. Each of these states has mentioned CBOs in Medicaid redesign plans with varying degrees of formality. In New York, for example, each of the state’s 21 Provider Performing Systems (PPSs) were required to contract with local CBOs in order to receive a portion of DSRIP dollars.

Massachusetts is a ready setting to study CBOs’ relationship to health care organizations because of an ongoing 1115 Waiver implementation that prioritizes SDOH. Newly created MassHealth (Medicaid) ACOs were required to screen for health-related social needs in 8 domains and are encouraged, but not required, to create relationships with CBOs to respond to positive screens. MassHealth also introduced new funding for a “Flexible Services” program in which ACOs could use Medicaid dollars to pay for a limited set of evidence-based nutrition and housing interventions that have historically fallen beyond the scope of Medicaid services.

The health policy literature to date has focused on the challenges and successes that health care leadership faces in responding to Medicaid and other payer SDOH-focused incentives. Previous work has described the potential for health care institutions to derive financial and social benefits from investing in community partnerships, particularly for high-need, high-cost populations. In most cases, commentators have encouraged partnerships between health care organizations and CBOs by highlighting the potential for health care delivery organizations to derive value from the relationship. This paper complements those previous analyses by considering the perspective of CBOs on SDOH-focused health policies and the prospect of closer collaboration with health care organizations.
3 Methods

3.1 Data Collection

We relied on qualitative data analysis to gain insight on CBO perspectives. Some of these methods have been described in a previously published analysis in the *American Journal of Preventive Medicine*. Here, it may be worth expanding upon the rationale for our approach to data collection and analysis. In 2012, Karen Staller described the need for qualitative researchers to consider their methods as being nested within their methodologies, epistemology and ontology. Studies conducted within a given ontological worldview must be consistent in the assumptions and choices made at every level. We proceeded from an ontological stance that the world is imperfectly knowable through study. We chose interviews to collect CBO manager perspectives based on a belief that people can be knowledgeable, if incomplete, reporters of their own lived experience. We pursued an abductive variant of a grounded theory methodology, meaning we sought insight by iteratively consulting the data and existing theoretical frameworks (more below).

The sample population included leadership and programmatic staff from a varied set of CBOs across Massachusetts (n=46). CBOs were defined as non-profit organizations that provide direct social services at a local level and are not focused primarily on health care promotion or delivery. Given this definition, federally qualified health centers (FQHCs) and advocacy organizations were excluded from the sample. Organizations that focused on mental health or long-term services and supports were also excluded because their role as health care providers was contractually specified in Massachusetts’ Medicaid ACO requirements.

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37 A sister paper that reports distinct findings from the same data collection process was published in the *American Journal of Preventive Medicine* in 2019.
We recruited CBO leadership and staff that had attended listening sessions and other events related to the integration of health and social services within Massachusetts. First, we drew from publicly available attendance rolls from open meetings hosted by Massachusetts Medicaid during the early redesign process in 2016-2017. Second, we drew from the Blue Cross Blue Shield of Massachusetts Foundation’s participant list from a Social Equity Convening in 2014. We continued to recruit eligible CBO leadership using snowball sampling techniques, wherein each interviewee is asked whether they know of other people who may have critical perspectives. We offered each a $10 Amazon gift card as a token of gratitude for their participation. The resulting sample included 46 key informant interviews, representing 44 CBOs across Massachusetts.

After interviews were complete, we disseminated a brief survey to all interviewees to capture additional information about their employers. 40 of the 46 interviewees responded to this survey. Table 1 highlights the demographics of the CBOs represented by the interviewees (n=46) and survey respondents (n=40).

Interviewees were asked questions regarding (1) the mission and services provided by their organization, (2) their perspectives on health care organizations entering into social services provision, (3) their organization’s funding structure, (3) past experiences with health care referrals or partnership, and (4) potential risks and benefits of health care entering into social service delivery. A copy of the interview guide is included as Appendix A. We targeted CBOs from across social service sectors, with a greater emphasis on the sectors that the Medicaid redesign had identified as a priority: housing and nutrition. Other sectors represented included domestic violence, community centers, multi-service organizations, legal services, early education, workforce training and job development, and transportation.
Table 1: Organizational characteristics of participating community-based organizations.

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>N=46</th>
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</thead>
<tbody>
<tr>
<td><strong>Sector</strong></td>
<td></td>
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<tr>
<td>Food</td>
<td>13% (6)</td>
</tr>
<tr>
<td>Housing</td>
<td>33% (15)</td>
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<tr>
<td>Community Centers</td>
<td>17% (8)</td>
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<tr>
<td>Legal Services</td>
<td>4% (2)</td>
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<tr>
<td>Multi-service Centers</td>
<td>15% (7)</td>
</tr>
<tr>
<td>Transportation</td>
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<tr>
<td>Workforce Development</td>
<td>11% (5)</td>
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<tr>
<td>Domestic Violence</td>
<td>2% (1)</td>
</tr>
<tr>
<td>Early Childhood Education</td>
<td>2% (1)</td>
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</tbody>
</table>

<table>
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<tr>
<th>Survey Respondents</th>
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</thead>
<tbody>
<tr>
<td><strong>Geographic Location</strong></td>
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</tr>
<tr>
<td>Greater Boston Metro</td>
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<tr>
<td>Western Mass</td>
<td>18% (7)</td>
</tr>
<tr>
<td>Eastern Mass/Cape</td>
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</tr>
<tr>
<td><strong>No. of Employees</strong></td>
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<tr>
<td>&lt;15</td>
<td>20% (8)</td>
</tr>
<tr>
<td>15-60</td>
<td>23% (9)</td>
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<tr>
<td>61-145</td>
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</tr>
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<td>&gt;145</td>
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<tr>
<td>&lt;1m</td>
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<td>5-10m</td>
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<td>10-20m</td>
<td>5% (2)</td>
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<tr>
<td>&gt;20m</td>
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<tr>
<td><strong>Government funding as total of budget</strong></td>
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<td>10% (8)</td>
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<td>&gt;75%</td>
<td>10% (8)</td>
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<tr>
<td><strong>Has a National Provider Identification number</strong></td>
<td>28% (11)</td>
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</table>

All interviews were conducted between September 2017 and March 2018, lasted between 40-75 minutes, and were audio recorded and professionally transcribed verbatim. Interviews
were conducted until the research team agreed that thematic saturation had been reached. This study was deemed exempt by the Tufts Medical Center Institutional Review Board.

3.2 Data Analysis and Limitations

We began by using a constant comparative method of qualitative coding in keeping with grounded theory. Using this methodology, we both independently analyzed transcripts, generating an initial set of open codes to summarize key ideas. The team then reviewed the initial codes in tandem, re-evaluated codes and combined them into larger concepts and coherent themes. Both coders iteratively reviewed all transcripts in this manner, incorporating and refining themes, then adding and combining new codes as needed through a series of weekly consensus meetings over three months. Following this initial period of inductive coding, we developed theoretical codes based on a consultation of the institutional theory literature in sociology. Inductive coding had indicated that CBOs were undertaking changes to match health care organizations’ ways of working so the institutionalization literature provided ready frameworks. Developing these theoretical codes allowed our analysis of the data to have explanatory rather than purely descriptive power. Upon final analysis, all codes and themes were agreed upon and applied systematically across transcripts.

To ensure valid representation of perspectives from CBOs, the study team also empaneled an advisory group comprised of a subset of interviewees as well as health care professionals. The advisory group was convened twice during the study period to review and provide additional feedback on study materials and preliminary results. In particular, the advisory board was consulted on the representativeness of the sampling frame, the clarity of the interview guide and the extent to which inductive codes comported with their own experiences. The advisory board also helped to disseminate findings within the Massachusetts CBO and health care communities.
Limitations of this study include all those typically offered alongside qualitative work. The sample of CBO leaders with whom we spoke may not be representative of all CBO leaders, particularly outside of Massachusetts. Our research design was not constructed to generate insights about differences between types of CBOs (e.g., food pantries versus emergency shelters), so comparative work should be considered for further inquiry. Our research was also collected at a single, critical point in time, making it impossible to describe longitudinal changes. An additional limitation that is unique to this study deserves note: because we began sampling with a set of CBOs that had attended public events related to health policy and social determinants of health, we may have an over-representation of CBOs that are actively following and planning for changes in this arena as opposed to CBOs that are (and may remain) unengaged.

4 Findings and Analysis

We present our findings in two stages. We first present evidence of a knowing-doing gap among CBOs. We then draw on institutional theory to provide an evidence-based explanation for how rational CBOs are able to maintain this knowing-doing gap.

4.1 A Knowing Doing Gap: CBOs Value their Distinctiveness and yet CBOs Adopt New Ways of Working from Health Care

Our first finding is a knowing-doing gap among CBOs. CBOs value their distinctiveness from health care and want to avoid medicalization; nevertheless, key informants described a series of organizational changes that they are undertaking in response to the new Medicaid policy, including the adoption of new key performance metrics, hiring of clinical staff into board and senior management roles and use of medical language to describe non-medical work.
These changes create a knowing-doing gap because they appear to directly contradict CBOs’ interest in remaining distinctive from health care and avoiding medicalization.

4.1.1 CBOs Value their Distinctiveness

CBO leadership routinely described the work of their organizations as distinct from that of health care organizations. While health care organizations were viewed as an industry built to address medical illness, CBOs viewed themselves as doing work to address social challenges such as poverty, economic immobility, displacement and gentrification and institutional racism. These issues were viewed as intersecting with but also distinct from the work of the health care sector. CBO leaders were quick to point out the differences in perspective between themselves and CBOs.

*The medical world is the medical world and I think the hospitals have a view of the world that is very different than I think the community-based organizations have.* (ID 21, Housing)

In some cases, CBOs aimed to highlight the distinction between health care organizations and CBOs by suggesting that health care was primed to address sickness but communities (and by extension, CBOs) were the source of health. CBOs described their view as distinct from health care’s in the sense that they focused on geographic neighborhoods rather than patient panels, took a long-term view of social change rather than focusing on meeting short-term metrics and created change via tailored relationships with unique clients rather than scaling standardized interventions. One CBO leader raised this point by reflecting on a recent meeting they had had with health care personnel:

*What we learned from our meeting a couple months ago, is that we speak an entirely different language. Sitting with a couple of the hospital people having lunch and we were talking for ten minutes and then we're like, "Actually we have no idea what you just said".* (ID 33, Housing)
Because CBO leaders valued their distinctiveness relative to health care institutions, CBOs voiced fears that the Medicaid redesign and the larger SDOH movement would medicalize their work. Though CBO leaders did not offer precise definitions of medicalization, they used the term “medicalized” to describe a CBO that had narrowed its focus to match that of health care organizations. CBOs viewed medicalization as problematic insomuch as it would mean narrowing CBO values and commitments to align with health care organizations’ values and commitments.

*I also think we shouldn't medicalize this broadly because if we do, we will view this through a medical lens and not a human lens. (ID 13, Adult Day Service)*

Interviewees shared concerns that engagement with health policies and organizations would result in their work being commodified into discrete, and perhaps billable, products and services. CBO leadership emphasized that their work required taking a tailored approach to individual cases and in many cases, the path to success could not have been predicted ex ante. One CEO of a community center articulated it as follows:

*Sometimes it really comes down to the individual and the dedication that our staff have. There’s no way that you could’ve written that out. There’s no way you could’ve known that that was what would’ve ended up being able to... close that case. (ID 29, Community Center)*

Giving voice to the fears that this flexibility would be lost, another CBO leader used the metaphor of “putting a box” around social determinants.

*Social determinants have to be fluid to the needs of individuals. I think it’s that fluidity that scares health care organizations. I am concerned that it will start to become this box that defines this. (ID 3, Community Center)*

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38 In the academic literature, medicalization is the process by which human or social problems become seen as medical ones, and designated as such. For an organization to become medicalized is to adopt a medical framing of its work.
CBOs expressed concern about following in the path of behavioral health (BH) and long term services and supports (LTSS) providers, who they viewed as historically having been “community-based” non-profits but who had become part of the health care system. This was a particularly notable comparison because in the Massachusetts waiver, the BH and LTSS providers were called Community Partners (note capitalization) while CBOs were called community partners. The former received substantially more money and a larger role in managing the care of complex patients but they did so, in the view of some CBOs, in exchange for some degree of independence. Concern about a loss of independence came through especially strongly in our conversation with one interviewee, who offered the following comments about medicalization:

*I don't have some abhorrence to medicalizing things. That doesn't bother me the way I see it trigger other people. I do think, again, just speaking frankly, if you have a bunch of pompous asses running about anything, then you have a bunch of pompous asses running stuff.*

*Interviewer: Is that an allusion to the fact that pompous asses run health care?*

*Yea. (ID 24, Housing)*

In addition to general expressions of concern about being medicalized, CBOs shared several specific fears about the risks of becoming more deeply enmeshed in health care delivery and financing systems. First, several of the CBOs with comparatively more experience working with health care in research projects and contracts voiced fears about the potential for conflicts of interest between health care organizations and CBOs. These conflicts of interest existed alongside a more general sense that health care and CBOs are serving overlapping populations and each has complementary value to bring to people’s lives. The conflicts were described most pointedly by CBO leaders in housing, legal services and community health worker organizations and often pitted professional standards in one sector against those in another. For
instance, one CBO staff member anticipated local health systems’ wanting to gain access to low-income housing for their highest cost Medicaid enrollees. To do this, the interviewee feared that health systems would attempt to negotiate access to the front of a several thousand-person waiting list in Boston for low-income housing. If health care organizations were to do so, this would have put this CBO leader’s staff in a challenging position given their obligations to abide by federal fair housing laws. Concern about conflicts of interest also came through in discussions of community health workers:

*I’m sorry but the minute [hospital] hires you as their community health worker and they’re paying the bills how are you supposed to be the conflict-free community health worker? (ID 18, Legal Aid)*

Second, CBOs shared concerns that Medicaid and other health policies that incentivized health care to contract with social services would lead to a proliferation of contracts that were unfavorable for their organizations. We heard this as both a fear about the future but also in stories that CBO leaders and staff shared about their experiences with health care organizations to date. The most commonly cited concern regarding contracting was that CBOs would be asked to become exclusive contracts with one Medicaid ACO or health system. This concern was rooted in what CBOs observed of other health system “partners”’ experience, in particular specialty medical practices, behavioral health outfits and long-term services and supports.

*I think it raises some really interesting questions about whether in 10 years there are going to be exclusivity expectations of social services providers the way that there currently are with these other community partners and what that means. (ID 18, Legal Aid)*

Interest in pay-for-performance contracts was more lukewarm, as CBOs were aware that these were becoming standard in health care and were eager to demonstrate CBO value on these terms but harbored concern about how the terms of those contracts would be set. One CBO leader said about pay-for-performance, “I’m probably not sophisticated enough to do it (ID 5, Multi-
A more general fear amongst many of the CBOs was that CBOs would have little way of assessing their own value and negotiating with larger organizations with large legal teams. One CBO leader referred to health care holding a trump card that they could play at any time in discussions with CBOs:

_Doctors in particular, it’s like, hey I’m all about the community. I’m all about the community process, I want to hear from you. And it’s all good until somebody disagrees. Then the whole façade changes and it’s like –here’s my trump card._ (ID 6, Housing)

Third, interviewees shared some fear about how the scale of health care’s operations may create a need for consolidation among CBOs. CBOs recognized that health care organizations were wary of having to contract with multiple CBOs in order to secure coverage for all ACO enrollees across the state. A single, statewide CBO partner was thought to be preferred. In response to this preference, CBO leadership and staff described the potential for both voluntary inter-organizational collaboration and involuntary consolidation (mergers). Low-intensity forms of collaboration, such as the formation of “collaboratives” were described positively but CBOs worried that these low-intensity forms of collaboration may one day spell the loss of some CBOs’ organizational identities. Key informants described particular concern about the viability of smaller, culturally-specific CBOs that may provide little, obvious use to a Medicaid ACO.

### 4.1.2 CBOs adopt new ways of working from health care

In spite of their concerns, CBO leaders described a series of organizational changes underway. These changes made CBO structures, processes and language appear more like health care organizations. Viewed alongside CBOs’ espousal about the importance of differences between health care and social services as well as their fears of medicalization, these changes appear discordant. The mismatch between CBOs’ stated values and their behaviors can be
framed as a knowing-doing gap. We use the term knowing-doing gap as it is commonly used in the organizational literature, wherein Jeffrey Pfeffer and Robert Sutton coined the term in 1999 to refer to a gap between organizational know-how or values and organizational action. This usage differs somewhat from the way health policy researchers typically employ the term in reference to a gap between evidence and practice.

![Figure 8: CBO Knowing-Doing Gap](image)

Some of the most apparent organizational changes that CBO leaders described involved bringing new kinds of people into the organization to facilitate relationships with health care. Board members with backgrounds in health care were described as valuable for their ability to facilitate introductions to health care organizations.

- *I think since the ACA was passed it's really created these opportunities to reach out in a meaningful way and think about partnerships. So I think it's probably the last four or five years...We've actually added somebody from the health sector to our board because we can see that this is a real key link, these two areas. (ID 33, Housing)*
- *The new head [of a local health care organization] and I had lunch and at the end of that hour and a half, he joined our board and that opened up the entryway for our organization and theirs to start thinking collaboratively and put money together. (ID 5, Multi-Service)*

At the staff level, CBOs were equally interested in hiring people with clinical backgrounds. The work of these professionals had proven fundable and their perspective was given additional weight in a CBO environment.
• There’s nurses here. Registered nurses who take blood pressure and glucose weekly. It started as a pilot here... there’s statistics that show a really marked improvement in both blood pressure and glucose. The first funder was a [hospital] community benefit program. (ID 10, Community Center)
• Our registered dietician can actually bill for services... Just to be able to play credibly in the space -- we have to. (ID 11, Nutrition)

Some CBOs used non-clinicians to foster links between staff and health care. In one home-delivered meals program, we spoke to a CBO leader who described their role as “to advocate and integrate our service into health care payment and delivery models (ID 4, Nutrition).” Another CBO leader had recently applied to a high-profile health care fellowship program, which they believed would help them professionally advance within their own organization.

CBO leaders also indicated changes were underway to make their organization’s metrics and performance indicators be more closely aligned with what health care saw as valuable. In some cases, old metrics were being abandoned entirely in favor of the most health-related one: “We are changing our metrics. We’ve gone from pounds of food...more towards healthy meals. (ID 2, Nutrition)” In other cases, new metrics related to health care utilization were being introduced but traditional metrics were also being maintained.

• So the idea, there’s some significant research to back it up, is that if you move folks out of shelter situations and into very modest housing situations, you can sort of lower cost ... whether it's hospitalizations, or arrests, or emergency visits and ambulance calls, and so forth. (ID 24, Housing)
• What we hope to do in our model is provide food interventions and then partner with all these fantastic medical and academic centers that are here in [city], to determine the impact of food interventions on both health and cost outcomes (ID 2, Nutrition).

CBO leaders avowed enthusiasm for data and research on their operation and its impact. This enthusiasm took the form of new data collection, record keeping systems and internal analyses as well as externally-funded academic research. Data and research were talked about as unequivocally positive goods that should be used to inform decision-making.
We have the [housing] resident fill out this health impact questionnaire, which asks questions about your housing experience before moving in, and the six months after moving in. So, questions about frequency of ER visits, connectedness to neighbors, self-reported health measures like stress and general health. (ID 6, Housing)

Five years ago, our access to any kind of health outcome data, health or school outcome data was close to zero. I think we've advanced some of those conversations in a way that we weren't able to talk to health care well enough beforehand to do. (ID 25, Housing)

In addition to buttressing internal operations and decision-making, research projects conducted with reputable academics were a means of demonstrating value to health care organizations.

In order to counter [health care skepticism] we've engaged in some pretty serious research projects. We just wrapped up a study... and the data show cost savings. It's there. [Health care leadership] just couldn't believe it and so they asked [the lead researcher] to go back and do further analysis. (ID 4, Nutrition)

CBO leaders described new efforts to package their social services in ways that would be legible for health care providers. These efforts included the adoption of health-care centric language, including terms like “clinical,” “triage” and “patient.” In several instances, CBOs also described the creation of “menus” of CBO services for health care managers, particularly from the Medicaid ACOs, to review. CBO leaders created these menus to allow health care organizations to retain a sense of choice and control over the terms of engagement with CBOs. Although pricing was not mentioned, references to creating a “menu” also signal at least an implicit awareness that a prospective health care partner may be interested in understanding the prices for various CBO services.

So the idea is to provide trainings [to local health care organizations] and we have a menu that we have created. (ID 36, Community Health Worker)

I’m not asking [staff] to start something new or develop a brand new program, or bring it new staff, or new training. I’m asking you to repackage what you already have. (ID 3, Community Center)

My understanding is that [the hospitals] have some funds that they need to use around community support and helping the folks. I don’t know. I’m not as well versed in the health care piece of it. [Hospital] was looking at some ideas on how we could do that. We had a couple different pilots that we proposed. None of them ended up
CBOs’ embrace of health care’s ways of working existed alongside their concerns about maintaining their distinctiveness. This appears to indicate a knowing-doing gap, if not an outright contradiction on the part of CBOs. No CBO leader acknowledged the tension between wanting to maintain distinctiveness but also aiming to become more similar to health care. In fact, it was the same CBO leader that issued the strongest caution about health care’s dangerous interest in “putting borders and boundaries” around SDOH to create “a service line” that, later in the same interview, shared that he was urging his staff to consider “repackaging” what it is his organization had historically done so that health care might become interested in purchasing their CBO’s services.

4.2 Explaining the Knowing-Doing Gap

The remainder of this article aims to provide an explanation for the apparent contradiction, or knowing-doing gap, that is created by CBOs’ pride in differentiation from health care and their adoption of health care’s ways of working. Insights from organizational theory, and specifically institutional theory, have shaped this analysis. Excellent summaries of institutional theory are available in the managerial literature and have been previously brought to bear in the work of Mary Dixon-Woods and Kenneth White. The key tenet of institutional theory, sometimes referred to as new institutionalism, is the idea that organizational characteristics are modified to increase the compatibility of an organization with its environment. Viewed through this lens, the organizational modifications outlined above are intended to increase CBOs’ ability to survive in a resource-scarce environment.

Two institutional theory papers are ubiquitously cited in the sociological literature. The first, by John Meyer and Brian R. Rowan, argued that within institutionalized environments,
pressure to follow high-performers leads organizations to adopt structures such as organizational charts and vocabularies.\textsuperscript{20} This pressure to mimic the high-performers, the authors argued, is what accounts for the homogeneity in organizational fields. The second paper, published 6 years later by Paul DiMaggio and Walter W. Powell, extended Meyer and Rowan’s work by outlining more specifically how pressures from outside an organization can create changes not only in structures but also internal decision-making processes and behaviors.\textsuperscript{21} Both papers, and the prodigious literature that has followed, view organizations as willing to adopt rationalized myths in order to be seen as legitimate. This legitimacy can then be used by organizations to garner resources.\textsuperscript{39} Particularly in the non-profit sector in which CBOs operate, where technical aspects of the product are not well-defined and therefore rational behavior is difficult to prescribe, institutional explanations of behavior provide additional explanatory power above and beyond what traditional rationalist views can account for.

Informed by these analyses, our findings indicate that CBOs’ willingness to adopt health care’s ways of working can be accounted for when CBOs are viewed as resource-dependent organizations. In short, CBOs experience themselves as poor and health care as “rich,” and so attempt to mimic health care’s professionalism in an effort to demonstrate legitimacy to health care organizations and traditional funders, who may be able to provide critical resources. One CBO leader summarized their experience: “Money moves the mare (ID 1, Multi-Service).”

\textsuperscript{39} Many papers, including this one, that rely on institutional theory combine its insights with those from a second literature in organizational theory, known as the resource-based view (RBV) of the firm. The RBV literature assumes highly rational managers who make changes to an organization to maximize output or minimize costs in light of technological or market changes. While institutional theory comes out of a sociological tradition, resource-based view of the firm papers tend to be written more often by economists.

The institutional theory and resource-based view of the firm literature should be seen as complementary rather than competing explanations of how and why organizations change in response to their environments.
This section outlines the data to support this analysis, including findings that CBOs perceive of resource scarcity within their own organizations, perceive health care organizations as resource-rich, and undertake intentional strategies to secure resources through partnerships with health care.

4.2.1 CBOs experience resource scarcity

CBOs consistently described a sense of profound resource scarcity. Even among relatively larger organizations with more employees and larger annual budgets, a sense that the organization was failing to fully meet the community’s need and therefore required additional resources was pervasive. All CBOs in our sample operated based on more than one revenue stream, often including federal, state and local government grants or contracts, foundation grants and private donations from people in the community. One CBO leader summarized the impact of resource scarcity on organizational leaders by describing them as operating in a “mindset of poverty.” Other CBO leaders echoed the sense of resource scarcity:

- *We are stretched to the max... always looking for hidden pots of money.* (ID 12, Nutrition)
- *Our individual shelters run about a $1 million deficit every year, from state and federal funding, so we have to make that up with private donations.* (ID 32, Housing)

Among the CBO leaders we spoke with in housing, many mentioned that people placed on a waiting list for affordable housing in Boston could expect to wait nearly a decade. Such a wait was seen as a systemic and moral failure. CBOs held municipal and state governments partly responsible because they centrally manage public and affordable housing waiting lists, but all who worked in housing felt a sense of urgency to prevent evictions and avoid unnecessary gentrification, work to find creative solutions for currently homeless and housing insecure people
and ensure new housing units were being developed. In many cases, this work required resources that CBOs did not have available.

The experience of resource scarcity led many CBOs to be effectively agnostic about the kinds of funding for which they would apply. Some CBO leaders indicated that this led CBOs (including their own organizations) to be un-strategic about how they procured resources. Out of a concern for their organization’s own survival, CBO leaders were prone to applying for funding that required the organization to creep beyond the current mission.

- *Anything that looks like new, viable funding sources will be very interesting to anybody because the contracts that we work with now are very, very lean and everyone is always looking for additional sources of funding.* (ID 26, Housing)
- *The reality is there’s never going to be enough funding for what we would like to do so any funding is always gonna be helpful. I think one of the challenges that non-profits across the board have to figure out is that it can be very easy to fall into the trap of just chasing money.* (ID 32, Housing)

### 4.2.2 CBOs perceive health care organizations as resource rich

In contrast to their own poverty, CBO leaders perceived health care organizations as large, resource-rich environments. Descriptors related to size often preceded mentions of local health care organizations (eg. “the big hospital”). The resources that interviewees described were primarily, but not exclusively, financial. CBOs perceived that recent changes in health policy, and most notably the introduction of DSRIP dollars as part of Massachusetts’ 1115 waiver, were just the latest in a line of historical instances in which health care had received large injections of cash.

- *We will never have the resource ability or large number of [inaud] that a hospital will have.* (ID 5, Community Center)
- *They have a certain amount of money sloshing around that they can invest, unlike most human service agencies.* (ID 1, Multi-Service)
I think anything we can do to get service providers, particularly hospitals that have pretty significant resources at hand to connect with community-based organizations to work together... is a good thing. (ID 11, Nutrition)

In addition to financial resources, CBOs also described health care organizations’ professional and political reputations as key resources. In interviews, CBO leadership were critical of themselves (eg. “Maybe I’m naïve” and “lowest rung on the ladder”) but spoke of health care personnel as powerful (eg. “ACO big wigs” and “phenomenally sophisticated”). CBOs also described health care entities as having access to policy discussions in which the CBOs were not included, in part because of their size.

We’re a fraction of the size of institutions like that. So we can sometimes feel like we’re scrambling... and also feel like things can change quickly, at a level that we don’t have access to, which might have a real impact on the way our business runs. (ID 29, Community Center)

4.2.3 CBOs aim to secure resources from health care and philanthropic funders

CBO leaders varied in how explicit they were about the how the changes they were undergoing were driven by a desire to win additional resources. Again, the types of resources that CBO leaders sought varied from financial payments to political capital. Some CBO leaders were explicit in outlining organizational change strategies and tactics undertaken to court health care organizations into commercial relationships. This was particularly true among organizations that had adopted behaviors such as hiring health care personnel into the organization or onto the board and the creation of a menu of options.

- Right now, the big thing is trying to jockey and get your service to be seen as valuable by health services. (ID 1, Multi-Service)
- Some of our [CBOs] perceive the [health systems] more as a source of potential income. (ID 3, Community Center)

Other CBO leaders described efforts to adopt health care’s ways of working in an effort to secure resources from traditional social service funders, including philanthropic foundations.
and the state. In particular, CBO leaders saw an embrace of data and research as a way to quantify the impact of their work and thereby improve the chances of winning foundation funding. CBOs also reported that relationships with health care organizations, even if they did not generate financial resources for the CBO, could provide symbolic power that may help to generate funding from elsewhere.

- [Hospital Name] is such a big player that it enhances [CBO Name] to have a relationship with [Hospital Name]. (ID 43, Legal Aid)
- Our CEO says as soon as [physician] was hired and started talking, people just immediately started listening. The MD, for good or for bad… it carries with it a privilege in being able to open up doors. (ID 2, Nutrition)

A third group of CBO leaders described efforts to “be like” health care, particularly using health care language and metrics, but did not explicitly link this desire to a strategy for attracting new resources. In this case, the motivation to adopt health care’s ways of working must be inferred.

Institutional theory provides a useful framework for interpreting the changes described by CBOs by highlighting the ways in which organizational changes are efforts to increase CBO viability in a resource-scarce environment. Conceptually, the mechanism by which the adoption of health care’s ways of working would result in increased resources is via an increase in legitimacy. The definition of legitimacy is debated among sociologists and neither Meyer and Rowan nor DiMaggio and Powell define the term but for our purposes, legitimacy can be roughly defined as the perception that CBOs are politically valuable and organizationally capable.

DiMaggio and Powell outline three ways in which an environment can provoke an organization (such as a CBO) to change in order to appear similar to another organization (such as a health care organization). They call these changes isomorphisms, formally defined as “a constraining process that forces one unit in a population to resemble other units that face the
same sets of environmental characteristics.” The authors discuss coercive, mimetic and normative varieties, each of which is visible in our data (see Table 2).

Organizational theorists commenting on DiMaggio and Powell have critiqued the distinctions among the 3 types as being overwrought. Indeed, differentiating amongst the three mechanisms in the case of our findings related to CBOs poses a challenge. For instance, distinguishing changes that CBOs undertake as a means of professionalizing from changes that they undertake in direct response to coercive health care requirements may be impossible, particularly when CBOs are trying to anticipate what health care organizations will want in a partner. Similarly, changes undertaken for normative purposes can be virtually indistinguishable from those undertaken as part of mimesis, given that health care organizations are perceived by CBOs as being so strongly professionalized.

Figure 9: Explaining CBO Behavior through the Lens of Institutional Theory
<table>
<thead>
<tr>
<th>Type</th>
<th>Definition (DiMaggio and Powell, 1973)</th>
<th>Relevance to CBO Strategies</th>
<th>Illustrative Quote from CBO Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mimetic</strong></td>
<td>Changes intended to model one’s own organization off of other organizations that are successful</td>
<td>CBOs aim to mimic health care organizations which they view as successful in resource-generation</td>
<td>And so that's a big part of what we try to do, is to get involved with folks before... an absolute crisis. And that's a big part of what we do is, prevention first is our motto. (ID 27, Housing)</td>
</tr>
<tr>
<td><strong>Normative</strong></td>
<td>Changes that come with “professionalization”</td>
<td>CBOs undertake changes in an effort to persuade health care organizations or other funders that they are capable partners</td>
<td>Our national organization has said that this should be a priority for us. [CBO]s should be concerned about this and thinking about ways to do a better job integrating with health care organizations. (ID 8, Community Center)</td>
</tr>
<tr>
<td><strong>Coercive</strong></td>
<td>Changes intended to comply with laws, regulations or expectations; or “stem[ming] from pressures on the organization by other organizations on which the former depends”</td>
<td>CBOs that are in relationship with health care organizations are forced to comply with health care expectations and preferences or risk losing resources</td>
<td>The [health care organization] that was funding us found out that we were training home health care aids and placing them in agencies. Then they came back and said to get rid of all the other employers and they could be the only one. (ID 16, Job Training)</td>
</tr>
</tbody>
</table>
5 Implications

We have endeavored to discuss the changes CBOs in our sample are undertaking without judgement. We cannot predict whether the adoption of health care’s ways of working will ultimately be a positive or negative development for CBOs or the health and social service ecosystem. As this is among the first papers to document the changes underway in CBOs as a result of the Medicaid redesign, many of the most salient implications remain unclear and open to future research. Two questions about the implications of these findings are to be expected: (1) How widespread are the changes among CBOs? (2) Should we interpret these changes as normatively good or bad? We can answer neither of these questions fully but offer comments on how we might approach them in the future.

First, the extent to which the changes described herein are attributable to the Medicaid redesign is unknown. CBOs in Massachusetts have no doubt faced pressures to institutionalize and professionalize that pre-date the Medicaid redesign. For years before the most recent 1115 waiver, the “health in all policies” movement certainly paved the way for CBOs to conceptualize their work as contributing to public health and the rise of “impact investing” may have pressured CBOs to adopt more rigorous measurement standards. We contend that the arrival of the Medicaid redesign and the explicit focus placed on health and social service integration amplified and extended such pressures but knowing precisely what proportion of changes documented are traceable to what source is difficult if not impossible. What’s more, we sampled CBOs in the early phases of the statewide Medicaid redesign, which may have led us to over- or underrate sectoral changes occurring within the CBO landscape. Our goal for this research has been to bring changes among CBOs to health policymakers’ attention rather than to quantitatively estimate how widespread the changes are. Longitudinal research will be necessary.
to understand whether our findings detected an initial flurry of excitement that will taper over time or early harbingers of sector-wide trends.

Second, it is also not yet clear what the welfare implications of the CBO changes described here will be. Many readers will likely see the term “medicalization,” and view the changes described here in terms of what is to be lost. In 2019, Paula Lantz took the latter view that there are “several problems with population health management’s predominantly medicalized approach to key social, economic and political processes that produce and constrain health in populations.” Nevertheless, readers from health care will likely see “professionalization,” a word with clear positive connotations, and imagine that the changes described will ultimately yield efficiency gains.

Our research highlights the way in which policies that incentivize health and social service integration stand to create new markets. If a market emerges wherein health care organizations are buyers and CBOs are sellers of social services, economic theory may be the most useful in hypothesizing welfare implications. One might imagine the creation of a market would be efficiency- and welfare-enhancing as the market would allow an otherwise confusing social service landscape to be more legible to health care managers. The beginnings of such a market can be seen in efforts by health care policymakers in North Carolina to institute a fee schedule for CBOs addressing housing instability, food insecurity, transportation insecurity, interpersonal violence and toxic stress.

It remains to be seen whether CBOs in such a market would compete on the attributes of their services that are most directly tied to service quality or health outcomes. Previous economics literature has argued that when there are multiple relevant outcomes and some outcomes are measured better than others, markets become distorted. If one dimension (e.g.
organizational form and practices) are measured better than others (eg. quality), then organizations will compete more aggressively on the better-measured dimension – creating a dysfunctional market. Standardized quality measures for social services are underdeveloped at the moment, making quality virtually unobservable among CBOs. However, our findings indicate that observable attributes such as the presence or absence of health care professionals, the presence or absence of performance metrics related to health care, and the presence or absence of menus of services are identifiable. If these observables are good proxies for unobservable quality, economic welfare could be enhanced by the emergence of a market. Conversely, if these observables are poor proxies for (or in competition for resources with) unobservable quality, then welfare diminishments should be expected. Empirical literature on this front has failed to produce consistent results.

The implications that changes within CBOs have for other dimensions of welfare, including political representation, should also be monitored over time. Jeremy Levine published a sociological analysis of Boston CBOs in 2016, finding them to be more legitimate representatives of urban poor neighborhoods than even elected representatives. In Levine’s fieldwork, CBO leaders echoed findings presented herein by talking about neighborhoods as “my neighborhood” even in cases where the speaker was not a legal resident. Several decades earlier, sociologist Roy Cain decried the loss of political representation and engagement in his work on the medicalization of AIDS service organizations, writing “Political engagement [in AIDS service organizations] is difficult when working within a circumscribed job description and when one is subject to the supervision and control of others who may not share these ideological commitments.” As CBOs draw themselves closer to health care organizations, the loss of the
ability to politically represent clients is a consideration that should not be overlooked in favor of purely utilitarian analyses of welfare.

6 Conclusion

We began with the research question, “How are Massachusetts CBOs perceiving and responding to a Medicaid redesign that incentivizes health care delivery organizations to address social determinants of health?” What we found is that CBOs are perceiving this policy (and others like it) as a strategic opportunity to develop closer relationships with health care organizations. Many hope that such relationships could yield a new source of critically needed revenue for CBO operations.

Although we found evidence of a knowing-doing gap, it is crucial to underscore that CBO leaders may be acting rationally and in many cases, appear to be quite managerially-sophisticated operators. Many have led the same organization for decades, stewarding tight budgets through political shifts, managing inadequately compensated staff with high turnover rates and providing un-glamorous services to the most vulnerable among us – often out of jerry-rigged physical spaces lacking in technological supports.

CBOs operating in a health policy environment in which social determinants of health are prioritized face a catch-22. They value the fact that their mission is different from health care, both on principle and because capabilities in areas like food, housing and transport make them potentially complementary partners to health care organizations. But in order to remain a viable organization that can maintain or grow their mission, they need resources. In order to secure resources from traditional funders or health care, they need to signal legitimacy and are doing so by adopting health care’s ways of working. Given this construction of the problem, CBO leaders
risk medicalizing their missions if they tether their organizations to health care resources and risk underperforming and potentially ceasing to exist if they do not.


22. Puska P. Health in all policies. 2006;17(4):328–328. doi:10.1093/eurpub/ckm048


## Appendices

### 6.1 Paper 1 Appendix

**Table S1: Base Model versus Model in Which Amount is Treated as Fixed**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>M1: Base Model (All Attributes Treated as Random)</th>
<th>All Attributes Treated as Random Except Amount</th>
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<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>SE</td>
</tr>
<tr>
<td>$100,000 (referent)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$500,000</td>
<td>1.30**</td>
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<tr>
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</tr>
<tr>
<td>$5 Million</td>
<td>4.55**</td>
<td>.26</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>.93**</td>
<td>.09</td>
</tr>
<tr>
<td>Renewable</td>
<td>1.01**</td>
<td>.09</td>
</tr>
<tr>
<td>Voluntary</td>
<td>1.00**</td>
<td>.10</td>
</tr>
<tr>
<td>Anonymous</td>
<td>.48**</td>
<td>.08</td>
</tr>
</tbody>
</table>

*Number of respondents 370
Number of observations 6,650
Log likelihood -1383.86
Log likelihood ratio chi square 171.98

*p<.05, **p<.01

**Table S2: Base Model Parameters with Lowest Level Managers Excluded**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>M1: Base Model (All Attributes Treated as Random)</th>
<th>S2: Base Model Excluding Lowest Level Managers (All Attributes Treated as Random)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
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<td>$100,000 (referent)</td>
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<td>$500,000</td>
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<tr>
<td>$1 Million</td>
<td>2.57**</td>
<td>.16</td>
</tr>
<tr>
<td>$5 Million</td>
<td>4.55**</td>
<td>.26</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>.93**</td>
<td>.09</td>
</tr>
<tr>
<td>Renewable</td>
<td>1.01**</td>
<td>.09</td>
</tr>
<tr>
<td>Voluntary</td>
<td>1.00**</td>
<td>.10</td>
</tr>
<tr>
<td>Anonymous</td>
<td>.48**</td>
<td>.08</td>
</tr>
</tbody>
</table>

Number of respondents 370
Number of observations 6,650
Log likelihood -1383.86
Log likelihood ratio chi square 171.98

Number of respondents 292
Number of observations 5,246
Log likelihood -1081.29
Log likelihood ratio chi square 129.46
Table S3: Base Model Parameters with Attribute Dominant Respondents Excluded

<table>
<thead>
<tr>
<th>Attribute</th>
<th>M1: Base Model (All Attributes Treated as Random)</th>
<th>S3: Base Model Excluding Attribute Dominant Respondents (All Attributes Treated as Random)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>SE</td>
</tr>
<tr>
<td>$100,000 (referent)</td>
<td>1.30**</td>
<td>.12</td>
</tr>
<tr>
<td>$500,000</td>
<td>1.30**</td>
<td>.16</td>
</tr>
<tr>
<td>$1 Million</td>
<td>4.55**</td>
<td>.26</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>.93**</td>
<td>.09</td>
</tr>
<tr>
<td>Renewable</td>
<td>1.01**</td>
<td>.09</td>
</tr>
<tr>
<td>Voluntary</td>
<td>1.00**</td>
<td>.10</td>
</tr>
<tr>
<td>Anonymous</td>
<td>.48**</td>
<td>.08</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Number of observations</td>
<td>6,650</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-1383.86</td>
<td></td>
</tr>
<tr>
<td>Log likelihood ratio</td>
<td>171.98</td>
<td></td>
</tr>
</tbody>
</table>

Using these parameter estimates, the total utility of various configurations of donation offers can be estimated for the average respondent (Table 6). Best and worst-case scenarios can be forecasted at each amount level, with the best case scenario being one that is unrestricted, renewable, anonymous and voluntary and the worst-case being one that bears the opposite characteristics. I find that the “best case scenario” of a each amount trumps the “worst case scenario” of the next-highest amount. For example, the “best case scenario” of a $100,000 donation offer has higher utility than a “worst case scenario” $500,000 gift and a “best-case scenario” of a $500,000 has higher utility than a “worst-case scenario” $1 million dollar gift.

Table S4: Sector Demographics

<table>
<thead>
<tr>
<th>Employer Budget</th>
<th>Total Sample (n=370)</th>
<th>Health Care (n=78)</th>
<th>Social Service (n=66)</th>
<th>Church or Religious (n=71)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 Million</td>
<td>131 (36.1)</td>
<td>5 (6.4)</td>
<td>18 (27.2)</td>
<td>44 (61.9)</td>
</tr>
<tr>
<td>$1-10 Million</td>
<td>118 (32.6)</td>
<td>22 (28.2)</td>
<td>24 (36.3)</td>
<td>19 (26.7)</td>
</tr>
<tr>
<td>$10-100 Million</td>
<td>74 (20.4)</td>
<td>24 (30.7)</td>
<td>18 (27.2)</td>
<td>6 (8.4%)</td>
</tr>
<tr>
<td>More than $100 Million</td>
<td>39 (10.7)</td>
<td>27.34.6)</td>
<td>5 (7.5)</td>
<td>1 (1.4)</td>
</tr>
<tr>
<td>Missing</td>
<td>8 (2.1)</td>
<td>9 (11.5)</td>
<td>6 (9)</td>
<td>1 (1.4)</td>
</tr>
<tr>
<td>Budget Surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Run a Deficit</td>
<td>49 (16)</td>
<td>5 (8)</td>
<td>12 (18.1)</td>
<td>14 (19.7)</td>
</tr>
<tr>
<td>Break Even</td>
<td>118 (38.5)</td>
<td>23 (37.1)</td>
<td>24 (36.3)</td>
<td>31 (42.6)</td>
</tr>
<tr>
<td>Run a Surplus</td>
<td>139 (45.4)</td>
<td>34 (58.8)</td>
<td>20 (30.3)</td>
<td>24 (33.8)</td>
</tr>
<tr>
<td>Missing</td>
<td>64 (17.3)</td>
<td>24 (30.7)</td>
<td>10 (15.1)</td>
<td>2 (2.8)</td>
</tr>
</tbody>
</table>
After respondents had completed the 9 choice tasks, each was asked to ordinally rank the attributes such that #1 was the most important attribute and #5 was the least important.

The findings of the ranking exercise differ slightly from the base model output (Table 8). Amount was ranked as most important and anonymity was ranked as least important but the ordering of the three other attributes was different. Renewability was the second-most important attribute in the base model, while unrestrictedness was ranked as second most important by participants in the ranking exercise. Nevertheless, in both the base models and the ranking exercise, participants indicated that unrestrictedness, renewability and voluntariness were of roughly equal importance. Some discrepancy is to be expected when comparing between discrete choice experiment findings and ranking findings. If the results were identical, the need to carry out a discrete choice experiment would be obviated and researchers could rely on the considerably-simpler ranking methodology to elicit reliable preferences.

Table S5: Mean Rank of Attributes

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean Rank (n=370)</th>
<th>Overall Ordinal Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>1.7</td>
<td>#1</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2.6</td>
<td>#2</td>
</tr>
<tr>
<td>Renewable</td>
<td>3.0</td>
<td>#3</td>
</tr>
<tr>
<td>Voluntary</td>
<td>3.1</td>
<td>#4</td>
</tr>
<tr>
<td>Anonymity</td>
<td>4.4</td>
<td>#5</td>
</tr>
</tbody>
</table>

Table S6: Coding for Demographic Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual-level</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>0 = Male</td>
</tr>
<tr>
<td></td>
<td>1 = Female</td>
</tr>
<tr>
<td>State</td>
<td>50 States + Territories</td>
</tr>
<tr>
<td>Race/Ethnicity</td>
<td>1 = White</td>
</tr>
</tbody>
</table>
|  | 2 = Black  
|  | 3 = Hispanic/Latino  
|  | 4 = Asian, Pacific Islander  
|  | 5 = Other  
| **Education** | 1 = Less than Bachelor’s Degree  
|  | 2 = Bachelor’s Degree  
|  | 3 = More than Bachelor’s Degree  
| **Political Affiliation** | 1 = Democrat  
|  | 2 = Republican  
|  | 3 – Independent  
|  | 4 – Prefer Not to Say  
| **Level of Reporting** | 1 = CEO or President  
|  | 2 = Report to CEO or President  
|  | 3 = Report to Other Senior Management  
|  | 4 = Report to Other Management  
| **Time Spent Fundraising** | 1 = Less than 25%  
|  | 2 = 25-50%  
|  | 3 = 50-75%  
|  | 4 = More than 75%  
| **Organizational-level** | 12 major non-profit types  
| **Sector** | 1 = Less than $1 Million  
|  | 2 = $1-10 Million  
|  | 3 = $10-100 Million  
|  | 4 = More than $100 Million  
| **Annual Budget** | 1 = Run a Deficit  
|  | 2 = Break Even  
|  | 3 = Run a Surplus  
| **Presence/Absence of a Budget Surplus** | 0 = <70% of Budget is Fundraised  
|  | 1 = 70%-100% of Budget is Fundraised  
| **Donor Reliance** | 1 = Gift Policy  
|  | 2 = No Gift Policy  
|  | 3 = Don’t Know  
| **Presence/Absence of a Gift Policy** |
6.2 Paper 3 Appendix

Interview Guide

1. Tell us about your role and organization.

2. What is the organization’s mission?

3. What kind of services does your organization provide to whom? Are there strict inclusion or exclusion criteria?

4. How do clients/patients typically find you? What other organizations, if any, refer to you?

5. How is your organization funded? [Added]

6. What kinds of health care providers do your patients/clients typically see? What is your impression of the quality of care that these providers deliver? How much interaction have you had with those health care providers to date?

7. There is increasing incentivization by payers, government entities, etc to include social determinants of health under the umbrella of more “traditional” health care services. Does this sound to you like movement in the right or wrong direction? Why?

8. Have you ever formally partnered with or considered partnership with a doctors office, hospital, or community health center?

9. How has the interest/emphasis on health system partnership complemented or detracted from CBOs’ other “core” work or clienteles? What are the spillover effects of a partnership with health care?

10. How does the potential of partnering with a health system change CBO’s relationships with one another (ie. introduce new competitive dynamics)?

11. Do you think there are any for-profit organizations that could do the work you do for health care? [Added]

12. How much of a factor, if at all, has Medicaid ACO creation been in your organization’s discussions to date? [Added]