NGO Accountability Clubs: Voluntary Regulation of Nonprofit and Nongovernmental Organizations

Edited by

Mary Kay Gugerty & Aseem Prakash
University of Washington, Seattle
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Key Ideas

The growth in the scale and scope of the nonprofit and nongovernmental organization sector (henceforth ‘nonprofits’) has been accompanied by growing governance challenges. These manifest as “agency dilemmas,” whereby nonprofits (as agents) have difficulty demonstrating to their resource providers and authorizers (the principals) that they are governing as agreed and delivering as promised. These dilemmas are accentuated by the fact that multiple principals make accountability claims on nonprofits. In response to these governance crises, scholars and policymakers have invested considerable effort in identifying oversight mechanisms to mitigate agency conflicts and make nonprofits more accountable.

This volume examines how voluntary programs, defined as rule-based systems created and sponsored by nongovernmental actors, seek to mitigate agency conflict and resolve agency dilemmas in nonprofits. These mechanisms can potentially enhance the confidence of principals in nonprofits. The payoff for nonprofits is that their principals are likely to impose less onerous reporting requirements, attach fewer restrictions on how nonprofits use funds, provide longer term grants, and increase the supply of financial resources. Yet, establishing such programs increases governance costs for non-profits and constrains their autonomy. Thus, several theoretically interesting and policy relevant issues need to be investigated to understand the phenomenon of voluntary regulation of nonprofits: In which sectors and under what conditions do such voluntary programs emerge? Who establishes them? How do these programs function? What requirements do they impose? Who participates? How do such programs shape the behaviors of the principals as well as nonprofits?

Theoretical Issues

An agent is an actor who “acts for” a principal. Agency conflicts arise when agents do not act according to the wishes of the principals. Instead, they act in response to their own preferences, which do not necessarily cohere with those of the principals. While financial irregularities are perhaps among the most prominent examples of such conflicts, agency dilemmas may occur without illegal or improper behavior on the part of agents. For one, principals may not adequately define and communicate their preferences to agents, leaving the agents with discretion on how to interpret principals’ desires. Agency conflicts are inevitable when agents work for multiple principals with conflicting preferences – and nonprofits are particularly vulnerable to this situation. The policy and managerial challenge is to create appropriate oversight mechanisms that clearly communicate and cohere with principals’ preferences and, at the same time, do not unduly burden agents with governance costs. These mechanisms could be created by principals, nonprofits, or third-parties. How have various actors responded to this challenge?

Nonprofits can be viewed as agents charged by principals to perform specific activities. While governments are increasingly charging nonprofits to provide a variety of public services, many governments do not have regulatory mechanisms sufficient to oversee nonprofits’ activities. While this problem is particularly serious in developing countries, regulatory authorities in most industrial countries have also suffered declines in capacity as a
result of devolution and decentralization of government activity. Similarly, private donors often provide funding to nonprofits to undertake specific activities in areas such as education, public health, the environment, women’s empowerment, and economic development. While they expect these resources to be spent judiciously and effectively to deliver services to the target populations, they often do not have the capacities to adequately monitor nonprofits’ operations. Citizens provide resources to advocacy nonprofits with the expectation that they will effectively advocate issues which the citizens care about. Again, they do not have the resources to monitor how their funds have been spent. In effect, principals have resources to fund activities that they cherish but cannot undertake themselves. Some actors organized as nonprofits have the capacities or the inclinations to undertake these activities but do not have resources to do so. This creates an opportunity for an exchange: principals can provide resources to agents on the assumption that agents will undertake specific activities in certain ways.

The story, obviously, is more complicated than this simple exchange might suggest. Recent high profile scandals in a range of nonprofits point to the widespread potential for agency abuses in these organizations. Less high profile, but no less serious, challenges arise from the claims of some activists and policymakers that many forms of philanthropy and official aid are not an effective means of achieving policy goals because nonprofits are not sufficiently serving principals’ aims and are not delivering appropriate services to beneficiaries. They blame nonprofits, not exogenous factors, for such policy slippages. Such charges have been particularly prevalent in humanitarian emergencies.

Principals seldom have the necessary information about the activities of nonprofits to make fully informed judgments about nonprofit activity. In such situations, the principals may begin to view all nonprofits with more caution, perhaps even suspicion. Several consequences follow. First, the principals may stipulate extensive reporting requirements and establish costly oversight mechanisms. This leads nonprofits to excessively focus on paperwork and reporting instead of their original mission. Eventually, such goal substitution hurts both the principals and the nonprofits. Second, principals may begin to make available only small, short-term grants to nonprofits instead of larger, long-term ones. Short-term funding may lead nonprofits to prioritize short-term projects where benefits can be demonstrated more quickly over long-term projects which might eventually have a greater impact. In sum, in response to agency conflicts, principals can either reduce the supply of resources or impose governance costs that constrain nonprofits from working effectively. Furthermore, given the multiplicity of principals that a typical nonprofit has to deal with, what is the guarantee that different accountability mechanisms they impose on it will cohere? Some nonprofits might view this as an opportunity to play one principal against another. Some others might venture into “safe” projects that upset none of the principals but have a marginal impact on the target population.

Similar challenges often arise in the context of governments serving as de facto principals. Governments often support nonprofits by providing tax exemptions; thus, they provide resources by foregoing legal extraction. As principals, governments are likely to anticipate agency problems as well and have similar accountability concerns as private donors. We can expect that governments will seek to create rules and regulations to govern nonprofits. Political actors suspicious of nonprofits who challenge their political monopolies might demand new onerous and burdensome rules to regulate nonprofits.
Information problems and the accompanying accountability issues can pose serious challenges for nonprofits. As actors seeking plentiful resources as well as the autonomy to pursue their goals, nonprofits have incentives to proactively address accountability concerns. Nonprofits may voluntarily establish (or join) mechanisms that supply information about their internal governance and activities to their principals along with providing assurances that nonprofits are making serious efforts to conform to the objectives set by the principals. By doing so, nonprofits hope to obtain an ongoing or increased supply of donor funds, greater operational freedom, and potentially decreased governance costs. Further, their proactive voluntary regulation might dampen the demand for new rules which restrict their activities in even less desirable ways. Eventually, these mechanisms might alter the policies and behaviors not only of the nonprofits these voluntary mechanisms seek to regulate but also of the principals that provide funding to nonprofits.

Contributions

Given this backdrop, this volume explores accountability in nonprofits in a novel way. While scholars have paid considerable attention to broader accountability issues, there is a dearth of systematic examinations of specific accountability mechanisms. This volume will focus on perhaps the most important instrument in this regard: voluntary programs or codes; voluntary clubs, as we term them. Previous work on voluntary programs sought to strengthen the analytics of for-profit voluntary programs by employing a common, deductive framework rooted in club theory.1 The club framework provided a useful and tractable way to analyze programs across a range of academic disciplines, empirical settings, and institutional actors. This volume extends the previous work on voluntary programs to a new institutional setting, namely nonprofits.

Voluntary programs seek to create institutional incentives for participating firms to adopt specific codes of conduct and practices beyond what is legally required of them. In the context of nonprofits, their purpose is to signal to the principals that these organizations have established governance systems that mitigate agency conflict. The expectation is that the resource providers will reward program members with more resources and less onerous governance costs. While some positive social externalities might be created in the process, this is neither the key motivation to establish voluntary programs nor for nonprofits to join them.

Extending the club theory perspective to nonprofits raises interesting and important questions about the emergence, design, and participation in voluntary programs. This volume is intended to address these questions by examining nonprofit voluntary programs across an array of settings and from multiple perspectives. The study of nonprofits is spread across a range of academic disciplines. One manifestation of this pluralism is the profusion of terms used to describe these organizations: nonprofits, nongovernmental organizations (NGOs), voluntary organizations, civil society organizations, and charities. While the disciplinary pluralism of nonprofit studies is a source of richness, it has also impeded systematic cumulation of knowledge on issues important to policymakers, nonprofit managers, and scholars. By employing a common analytic lens, this volume seeks to explore a new issue.

area, unify a disparate set of literatures and research agendas, and therefore further our understanding of nonprofit accountability.

The volume will also advance our empirical understanding of current nonprofit voluntary initiatives. Cross-national and cross-sectoral evidence will allow us to assess the impact of important factors such as stakeholder and policy environment on the emergence of voluntary governance institutions. Furthermore, the volume will address an important and contentious debate in nonprofit studies: to what extent should and can nonprofits be held to the same standards of transparency as their for-profit counterparts? This last issue is particularly important in light of the efforts to promote private sector corporate responsibility and standard-setting programs by nonprofits. In sum, this volume will focus on the following core issues, corresponding to the three sections of the volume:

1. **Club Emergence and Sponsorship**
   What forms of nonprofit clubs are emerging? Who establishes and sponsors these clubs, and why? To which stakeholders is the club design most responsive, and how does this shape club standards and development? Do clubs formed by one type of nonprofit (e.g., service-delivery organizations) take different forms than those formed by others (e.g., advocacy NGOs)? Have the clubs modified their rules over time and why. What are the key drivers of institutional evolution?

2. **Club Design**
   What types of nonprofits join this voluntary program? Why do they join it? What types of excludable benefits does the club provide to participants, and how do these motivate participation? What are the strategies of the club sponsors to enhance the attractiveness of the club, or how do they seek to attract members to participate in collective action? Can they choose from multiple clubs? If so, what drives their selection process? Does the identity of the sponsoring organization matter for the club’s attractiveness, especially in situations where actors can join several clubs? Does the club seek out specific types of nonprofits or exclude other types and why? How does the geographic scope of the club affect its membership and structure? What is the relative salience of internal versus external pressures in decisions to join a given voluntary club?

3. **Club Effectiveness**
   How does the club ensure that participants adhere to club obligations, and with what success? Who monitors and who enforces? How much do clubs rely on beliefs about nonprofit trustworthiness in designing club monitoring, and how credible is this belief? Does the club expel members for not adhering to club rules? How effective is the club in altering members’ behavior and organizational outputs? If the club is ineffective, have the sponsoring actors thought of changing the club architecture? Which accountability shortfalls are voluntary regulatory programs best able to address? What new accountability problems do they create?

In sum, the book makes two key contributions:

- Theoretically, it outlines an accessible yet robust framework for studying voluntary programs in the nonprofit sector. The book expands on club theory to account for variations in the emergence, recruitment, and efficacy of voluntary programs. This is an important contribution because the study of voluntary programs in the nonprofit
sector, while still in relative infancy, is growing rapidly in many disciplines, including public management, economics, political science, law, and sociology.

- Empirically, this book provides careful application of the club perspective across a range of voluntary programs and contexts. These programs vary by sector type, sponsor type, and target participant type. This is the first book we know of that examines a wide range of voluntary programs in the nonprofit sector by employing a single theoretical perspective.

### Detailed Chapter Outline

This volume has thirteen chapters, including the introductory and concluding chapters. The eleven substantive chapters are organized in three sections. We briefly describe the chapters and their organization below:

**The Club Framework**

**Chapter 1**, “NGO Certification Clubs: An Introduction,” is authored by Professor Mary Kay Gugerty and Professor Aseem Prakash, both at the University of Washington, Seattle. This chapter presents an overview of the book. Drawing on the theory of clubs and agency theory, the chapter outlines the theoretical framework adopted in the book. Finally, it provides a brief summary of various chapters.

**Section 1: Club Emergence and Sponsorship**

**Chapter 2**, “A History of Nonprofit Clubs in the United States,” is authored by Professor Woods Bowman of DePaul University. Nonprofit clubs can be characterized in terms of the stringency of their requirements. The chapter distinguishes between lenient standard clubs, which do not involve peer review or verification, and stringent standard clubs where compliance is verified. The chapter draws on a survey of all associations in the United States from *Gale’s Encyclopedia of Associations*. For the first 70 years of the 20th century, the number of clubs that used lenient standards and those that used stringent standards grew at more or less the same rate. By 1970, however, stringent standards were clearly the preferred option for new clubs. Out of 87 active clubs, 89 percent have stringent standards and 40 percent of these have supplementary lenient standards. The chapter infers that stringent standards are not incidental to the missions of the promulgating clubs because half appear to have been formed for this purpose, given that they instituted stringent standards shortly after their founding. Standards in these clubs emphasized program quality, credentialing and program outcomes, followed closely by ethics. Standards related to public disclosure, governance, and financial management are less common, but still mentioned by at least three-fifths of respondents. The chapter concludes with reflections on how the data fit into the book’s paradigm. In general, it appears that the federal government has been willing to delegate substantial regulatory authority to voluntary clubs as a means of protecting its ongoing investment in education and health care.

**Chapter 3**, “Nonprofit Umbrella Associations as Reluctant Clubs,” is authored by Professor Dennis R. Young of Georgia State University. This chapter investigates U.S.-based umbrella nonprofit associations such as the *Independent Sector*, the *Council on Foundations*,...
the National Council of Nonprofit Associations (NCNA), and the Nonprofit Academic Centers Council (NACC). These associations were established and evolved for a variety of reasons, including helping to legitimize the field, building the capacities of member organizations, and serving as a common voice in the political arena. The operations and incentives of these associations were not originally those of voluntary clubs. None of these associations have imposed rules or codes of behavior as pre-conditions of membership nor has membership in these associations been exploited as a brand by their members. However, in each case, club-like behavior is beginning to emerge and the possibilities for exclusionary membership policies may be increasing. NACC may ultimately become a pseudo-accrediting body, and Independent Sector’s seal of approval might ultimately be needed by nonprofits seeking to justify requests for philanthropic support. Presumably, the Council on Foundations could develop standards in order to stave off more stringent government regulation of foundations. And NCNA is considering the creation of model codes of management and governance that their members could use to certify nonprofits at the state level. This chapter presents analytical case studies of the life cycles of these sector-wide organizations, investigating the circumstances and factors that led to their formation, the extent to which they conceive of their functions as those of clubs, and the points in their life cycles when it becomes important for their members to address issues of standards and self-regulation. The theory of clubs is used to provide insight into the similarities and differences in these evolutionary scenarios and the likelihood that each organization will ultimately stress inclusive, field-building activity versus more exclusive accountability and standard-oriented behavior.

Chapter 4, “What Determines the Emergence and Structure of Clubs Among State Nonprofit Associations?” is authored by Professor Mary Tschirhart of the Maxwell School at Syracuse University. This chapter presents an empirical study of state nonprofit associations. These associations have a variety of purposes, including but not limited to promoting the interests of nonprofits in their state, building the capacity and effectiveness of nonprofit organizations in the state, offering ethical and best practice guidance to members and others, and influencing state-level regulations affecting nonprofits. They may also take on the task of accrediting or certifying nonprofits in their state, thus supporting self-regulation efforts. These organizations face the challenge of designing services and governance systems that will make them attractive to potential members. The chapter presents tests of predictions about which states will have a state nonprofit association and, for the existing state associations, which ones have standards, codes of conduct, certification programs, and transparency indicators. The chapter also investigates the range of membership types, the requirements or screening of applications for membership, and the specific mechanisms used to represent different types of nonprofit members on boards. The hypotheses and findings are discussed in relation to the club typology.

Chapter 5, “The Emergence of Nonprofit Clubs in the Developing World,” by Professor Mary Kay Gugerty of the University of Washington examines the emergence and sponsorship of national nonprofit voluntary clubs in Africa and Asia. The emergence of voluntary clubs in developing countries may not seem surprising, given the large role played by nonprofits in many of these countries, and given the relatively low levels of state regulatory capacity. But the state in many developing countries is often hostile to broad based associational activity outside the state and many associations suffer from severe capacity and resource constraints. How, then, and in what contexts, have nonprofit clubs been able to emerge? Why have states sometimes supported these programs? This chapter explores the factors underlying club emergence (and failure) across ten countries in sub-Saharan Africa and compares these experiences with those of four countries in South and Southeast Asia.
The chapter finds several phases of club institutionalization. In the early phases, clubs often emerged as a result of direct conflict between states and nonprofits over the terms of nonprofit regulation. Clubs emerged in those countries where there were pre-existing, broad-based, and legitimate representative associations for nonprofits. In the later phases of club emergence, club sponsors were able to build on the experience of previous clubs, and often acted to pre-empt additional government regulation. In many of these cases, successful club emergence depended on support from important nonprofit principals: either donors played important roles in funding and supporting nonprofit efforts to develop clubs, as was most common in Africa; or governments recognized the potential value of clubs and granted important powers to clubs, such as the ability to grant tax exemption. This pattern has been more common in Asia.

Section 2: Club Design

Chapter 6, “A Do-Gooder’s Guide to Security: Nonprofit Security Clubs and their Implications,” by Professor Deborah Avant of University of California, Irvine, examines the creation of security standards for nonprofits through the voluntary club lens. At first blush, the story of security clubs seems quite simple. Nonprofits need to demonstrate that they could be trusted agents and so establish a security club – a set of standards for working in dangerous areas, intended to brand some nonprofits as more trustworthy and competent than others. In the case of security clubs, this process was complicated by an important dynamic that influenced the particular unfolding of these clubs. Nonprofits faced an “agency dilemma” in the creation of security plans. On the one hand, they wanted to demonstrate their ability to undertake missions as “agents” trusted to deliver a particular “good” – humanitarian aid, for instance, or conservation of threatened species. Because their success required that they simultaneously be a good agent to many different (and different types of) principals, however, their standards needed to ensure that their efforts for one principal would not undermine their ability to demonstrate trust to another.

Efforts to develop a club in this context led nonprofits to develop security planning processes and standards that branded them as trustworthy for two reasons: first, because of the existence of security plans that would allow nonprofits to implement programs and accomplish their goals, and second, adherence to standards would help assure unbiased implementation of plans. But these standards created barriers to the control of nonprofit security processes by any one principal even as they set forth standards that would be appealing for all. In effect, then, to become trusted agents, nonprofits chose to carve out discretion for themselves as independent actors; this discretion subsequently made it more difficult for agents to exert short term control over nonprofit actions and cast a much wider net for debates about legitimacy among those who cared about or were affected by nonprofit operations. The chapter describes the creation of security standards among NGOs – looking particularly at the standards developed by the ICRC in consultation with other NGOs, the controversy over their appropriateness and their spread among NGOs in the late 1990s, and their institutionalization at InterAction (an umbrella association of US NGOs). It then discusses the implications of this story for NGO accountability on security issues and for the development of voluntary clubs as new global governors and global governance arrangements more generally.

Chapter 7, “The Emergence and Design of Nonprofit Clubs in the Humanitarian and Development Sector” is authored by Maryam Zarnegar Deloffre of the George Washington University. This chapter examines how NGO accountability systems emerge in the
humanitarian and development sector, how NGOs define standards of accountability, and how they structure these institutions. The chapter examines these questions in the context of three clubs in the humanitarian and development sector: the Code of Conduct for International Red Cross and Red Crescent Movement and NGOs in Disaster Relief, the Sphere Project, and Humanitarian Accountability Partnership International (HAP-I). These clubs represent varying degrees of institutionalization, and provide theoretical purchase on the factors that affect the design of accountability institutions in the sector. In the humanitarian sector, a large number of voluntary clubs consist of aspirational codes of conduct or ethics with no compliance mechanisms. According to the framework presented in this volume, these aspirational codes are the least effective in minimizing agency conflict, yet nonprofits continue to design them at an accelerated pace. It is unclear why nonprofits would invest significant amounts of time and resources, sometimes over the course of several years, to design clubs with no swords and mediocre branding benefits. The humanitarian and development sector consequently provides a unique opportunity to test club theory against the expectations of sociological institutionalism to determine not only which factors explain the emergence and design of voluntary clubs in the humanitarian sector, but how they affect the design process.

In keeping with the voluntary club framework, the chapter investigates important factors, such as the policy environment (i.e. types of contracts and funding), identity of sponsors (i.e. religious affiliation, size, mandate), and stakeholders (i.e. funders, governments, international organizations, global publics). The chapter also explores the constitutive effects of factors such as ‘spillover’ of domestic orientations (i.e. welfare state) or identities or expertise (i.e. professional credentials of sponsors). The chapter concludes that NGOs establish lenient codes with no swords to assuage the immediate concerns of the global public, the media, governments, and donors as predicted by the club framework. This first step ensures resource flows and establishes a type of ethical platform on which NGOs base more refined rules that establish new competencies and transforming objectives. As a result, in the second step, newer and stronger institutions emerge.

Chapter 8, “The Impact of Sponsorship on Club Standards and Design” is authored by Angela Bies of the Bush School of Government at Texas A&M University. This chapter traces the emergence and design of two nonprofit standard-setting programs in the state of Minnesota. The first, the Minnesota Charities Review Council, founded in 1946 by donors and civic leaders concerned with building the philanthropic sector in Minnesota, is one of the oldest independent watchdog agencies founded in the U.S. The Charities Review Council has developed a set of Accountability Standards and a review process for participating nonprofits, and makes the results of the reviews widely available. The second and younger program, Principles and Practices for Nonprofit Excellence, is run by the Minnesota Council on Nonprofits, an umbrella association of 1,750 nonprofit organizations. The Principles and Practices project emerged in the early 1990s and represents a similar club movement in various similar statewide and subfield nonprofit associations.

Using a historical case study approach, this chapter investigates the impact of sponsorship on the structure, participation, and desired outcomes in these two voluntary programs. As a watchdog agency, the Charities Review Council program focuses more heavily on the needs of donors and citizens as key nonprofit stakeholders. The Review Council has developed detailed accountability standards, a research staff, and an on-line review process for nonprofits to apply for the Review Councils seal. Currently, 200 organizations are certified. In contrast, the Nonprofit Council has developed a less stringent
club that focuses more on supporting member organization in improving their governance and accountability, yet maintains the expectation that Nonprofit Council members will strive to meet relevant Principles and Practices.

Issues of resource dependence characterize internal debates about how to shape and finance both systems, particularly in terms of the auspices of each system. Key differences in structure, participation norms, and desired outcomes are shaped by varied stakeholder concerns and related accountability strategies. Although the two systems have been influenced by several key overlapping sponsors and express some shared values as articulated in the Accountability Standards and Principles and Practices, the chapter pays particular attention to the divergent paths of these two clubs in light of seemingly similar local environmental factors.

**Section 3: Club Effectiveness**

**Chapter 9**, “Does Self-Regulation Work? Some Evidence from Europe,” is authored by Professor Andreas Ortmann of Charles University Economics Institute, Academy of Sciences of the Czech Republic. The chapter investigates the preeminent nonprofit club in the Czech Republic: Donors Forum – a self-regulatory group of about 50 major charities which is the sole guarantor of nonprofit quality in the Czech Republic. While in many European countries certification of charities is undertaken by a (sole) third party, this is not the case in the European transition economies. It is not well-understood why sole certification emerges and whether this state of affairs is indeed desirable in the long run. In some transitional economies, self-regulatory programs have emerged, but with unclear impact. In the Czech Republic, for example, it is not clear the extent to which the Donor’s Forum has succeed in guaranteeing standards of good practice in giving and in increasing the trustworthiness of charities. While charities have increasingly adopted sophisticated means of raising donations and the wealth of the population has also increased, giving in the Czech Republic has essentially stagnated over the last few years. Furthermore, anecdotal evidence suggests that the Donors Forum has not been completely successful in preventing misbehavior of some of its members. There is also a widespread belief that the Donors Forum, while acting as a club, erects undesirable barriers to entry. Informed by this example, this chapter explores the viability and desirability of self-regulatory organizations through the conceptual lens of the theory of clubs.

**Chapter 10**, “Can Foundations Regulate Themselves? The Council on Foundations and the Search for Philanthropic Standards,” by Professor Peter Frumkin of the University of Texas, Austin, provides a detailed account of both the legislative efforts of the foundation field through its professional association over time and the many parallel efforts of the field to substitute self-regulation in the place of more government oversight. Private foundations number more than 68,000, control $500 billion in assets, and make grants totaling more than $20 billion annually. They provide critical early capital to nonprofit organizations seeking to start new programs or projects. The Council on Foundations, the main association that represents the foundation world, has played a critical role in defending the autonomy of the field.

The chapter discusses three phases of regulation. The earliest phase of self-regulation occurred in the 1970s in the aftermath of the Tax Reform Act of 1969 when the Council on Foundations led a national effort to improve public understanding of foundation and to encourage more professional management of these institutions. The second phase (1980s) focused on norm building. The Council promulgated a set of far-reaching code of conduct and made its acceptance
a condition of membership in the association. A third phase of foundation self-regulation occurred very recently. While the Sarbanes-Oxley Act did not apply to nonprofits, its enactment led some nonprofits and large foundations to consider whether they should adopt similar rules voluntarily to bolster public confidence in their financial integrity. The chapter concludes by noting that the idea of self-regulation and greater accountability through voluntary measures is appealing, but it may not be entirely adequate in the context of organizations that are almost always endowed in perpetuity and against which stakeholders have no real recourse. Looking at several episodes in the Council on Foundations’ long term work to defend and organize the field, the chapter concludes that foundations have not been entirely successful to date in defining and enacting – on a voluntary basis --- meaningful and tough accountability measures for the field. Thus, there remains a significant and important role for government in ensuring accountability and good governance in the world of private foundations.

Chapter 11, “Benefits of Accreditation for Fundraising Nonprofits in the Netherlands” is authored by Professor René Bekkers of ICS/Department of Sociology, Utrecht University and the Department of Philanthropic Studies, Vrije Universiteit Amsterdam, the Netherlands. This chapter has two objectives. First, it describes the regulation of fundraising by nonprofit organizations through a voluntary accreditation system in the Netherlands. Second, it estimates the effect of accreditation on fundraising income of fundraising nonprofit organizations. The Netherlands has a voluntary program in place to mitigate agency conflict in nonprofits. The program is managed by a nongovernmental organization, the Central Bureau of Fundraising (CBF). The CBF offers national fundraising nonprofit organizations the possibility to use a seal of approval when they conform to a set of standards of excellence. The set of standards is rather strict and contains rules on board structure, financial reporting, and auditing of financial statements, transparency to donors, complaint procedures, and fundraising costs, among other things.

In the empirical investigation, the chapter estimates the effects of accreditation as a branding benefit of club membership on fundraising income on an unbalanced panel of 453 fundraising organizations. One would expect that accreditation increases fundraising income. Indeed, in a fixed effects regression model, accreditation shows a considerable benefit – on average, fundraising income of accredited organizations increases with 7% per year, while fundraising income of non-accredited organizations grows with only 1% per year. However, one would also expect that the benefit of accreditation is larger for fundraising organizations that have to deal with stronger asymmetries of information. Yet international relief and development organizations benefit less than organizations that operate only in the Netherlands, and small and large organizations (in terms of fundraising income) benefit less than mid-sized organizations. The chapter concludes with a discussion of theoretical and practical implications of these findings for the theory of nonprofit clubs.

Chapter 12, “Can Self-Regulatory Club Goods Serve Mission Accountability?” is authored by Professor Dana Brakman of Brooklyn Law School. This chapter presents a legal perspective on nonprofit voluntary clubs. Given that the legal doctrines can enforce financial accountability but not mission accountability, the chapter explores whether and how self-regulatory club goods can help to fill this important void. The chapter notes that it is neither feasible nor desirable for organizational missions to be tracked and enforced by government regulators. Not only do these regulators have limited resources, there are serious constitutional and policy issues raised by the prospect of government regulators informing nonprofits of what their mission is, and how they should or should not be pursuing it. Thus,
accountability must be an internal affair of review, a debate among various constituencies, and involve group decision-making. Yet, in the demanding context of nonprofits’ work, it is easy to see the complex job of pursuing mission accountability being put aside in favor of more easily achieved and measurable tasks. Self-regulation using club goods can encourage the pursuit of mission accountability. A self-regulatory system using a club model can make the existence and use of these processes a requirement of admission to the club. At the very least, a self-regulatory body can require organizations to maintain a mission statement in order to earn a certification and the right to advertise to the principals that they are in compliance with the certification process. Arbiters of certification, however, can do far more. They can demand the adoption and use of procedures to encourage discussion and debate regarding mission fulfillment among other nonprofit constituencies – donors, members (if any), beneficiaries, even the general public. They can similarly set limitations on the means for mission change --- by demanding deliberation, consensus, and documentation. Self-regulation using club goods offers a rare opportunity to enforce a requirement that nonprofits pursue mission accountability, and this should be viewed as one of the principal benefits of this regulatory structure.

Future Research and Conclusions

Chapter 13, “Voluntary Regulation of Nongovernmental and Nonprofit Sectors: Conclusions,” is authored by Professor Aseem Prakash and Professor Mary Kay Gugerty, both at University of Washington, Seattle. This chapter pulls together the empirical and theoretical findings of the various chapters. In doing so, it highlights both the weaknesses and the strengths of the club perspective in its current formulation. Finally, it offers a revised version of the club perspective as a framework to study voluntary programs in the nonprofit sector.

Book Audience

Given the growing interest in the study alternative forms of governance --- voluntary programs, private authority regimes, and the broader area of “governance without government” --- this book will appeal to audiences in disciplines such as political science, economics, law, public policy/management/administration, sociology, and geography.

This book will also appeal to scholars who focus on accountability issues in nonprofits and nongovernmental organizations. Overall, there is a dearth of literature on voluntary governance in the nonprofit sector. One strand of the current literature tends to be descriptive and without strong theoretical foundations, while the other strand tends to be abstract and without much empirical support. This volume connects a novel theoretical perspective on voluntary programs to theoretically grounded case studies. We believe that it will appeal to scholars located in public policy/management/administration/affair schools where nonprofits are in an important area of study, and in political science and sociology departments where nongovernmental organizations and social movements are important research topics.

A key strength of the book is its multi-method approach and its accessibility to a multi-disciplinary audience. This, we believe, will encourage instructors to use the book in advanced undergraduate courses and graduate courses in a variety of subjects, such as public management, nonprofits, nongovernmental organizations, regulatory politics, and law. We
have invited leading scholars from political science, public policy, economics, sociology, and law to contribute original chapters to this volume. We believe that your press is well positioned to fully exploit the potential of this book among the multi-disciplinary community of scholars and policy practitioners interested in voluntary programs in the nonprofit sector.
Logistics

In August 2007, each contributor received the book’s introductory chapter which outlines the club theory approach to voluntary programs in the nonprofit sector. Subsequently, the contributors submitted chapter proposals and it is clear that they have carefully incorporated and responded to the club theory perspective.

We have asked the contributors to email us their chapter drafts (7,000-8,000 words) by April 15, 2008. In May 2008, the contributors will attend a workshop at the University of Washington-Seattle. At the workshop, we will carefully discuss every chapter to refine the arguments and analyses, and to further integrate them as a volume. Indeed, one of the big problems with edited volumes is that the chapters do not cohere. We have been conscious of this challenge and have sought to address it upfront. First, we have drafted the introductory chapter and the theoretical framework prior to inviting scholars to contribute to the volume. We asked all contributors to carefully read our theoretical framework before submitting the abstracts. Second, the workshop at the University of Washington in 2008 will provide another opportunity for authors to exchange ideas and provide feedback to one another. We will also email our detailed comments suggestions to every participant. We will work to ensure that the chapters cohere and cross reference one another. We are therefore confident that book will be more than the sum of its parts.

After the workshop at the University of Washington, authors will revise their chapters and send them back to us by August 1, 2008. We plan to turn in the final manuscript by September 15, 2008.

Editors

Our research on voluntary governance as well as on nonprofits has been well received by scholars and practitioners. We have presented our work at major political science, public policy, and nonprofit conferences as well as at several universities. Further, we have published books with major university presses and articles in the leading political science, economics, and public policy journals on these subjects.

Mary Kay Gugerty is an Assistant Professor at the Daniel J. Evans School of Public Affairs at the University of Washington. She holds a Ph.D. in Political Economy and Government from Harvard University and a Masters in Public Administration from the John F. Kennedy School of Government at Harvard. Professor Gugerty’s research focuses on collective action institutions among individuals and organizations, with a particular focus on developing countries. Her current research focuses on the emergence of voluntary regulation and accountability programs among nonprofits and NGOs. Her previous research examined the impact of donor funding on community NGOs in Kenya, the organizational design of informal savings organizations in developing countries, and the impacts of ethnic diversity on collective action and public goods provision in local organizations. Her key articles include:

- The Emergence of NGO Self-Regulation in Africa. 2007. *Nonprofit and Voluntary Sector Quarterly* (under review).

- The Effectiveness of NGO Self-Regulation: Theory and Evidence from Africa. 2007 *Public Administration and Development* (under review).


Contributors

Deborah Avant is Professor of Political Science and the Director of International Studies program at University of California, Irvine. Her research which has been funded by the John D. and Catherine T. MacArthur Foundation, the Olin Foundation, and the Smith Richardson Foundation, explores the political nature of military choices. In doing so, Professor Avant seeks to explain seemingly puzzling outcomes in how different military organizations approach war, in how military organizations in the West have come to organize in similar ways, and in how changes in the management of violence play out in the way polities are organized. Her work draws on institutional theories from economics and sociology to explain both continuity and change in international relations. She is the author of Political Institutions and Military Change (Cornell University Press, 1994) and The Market for Force: the Implications of Privatizing Security (Cambridge University Press, 2005). She has published in variety of journals including Perspective on Politics, International Organization, International Studies Quarterly, International Studies Perspectives, Foreign Policy, Review of International Studies, and New Political Economy. Her key articles include:


René Bekkers is an assistant professor at the department of Sociology of Utrecht University and a researcher at the department of Philanthropic Studies at the Vrije Universiteit Amsterdam. He received his Ph.D. in 2004 with a dissertation on Giving and Volunteering in the Netherlands, which was awarded the Gabriel Rudney memorial award by the Association of Research on Nonprofit and Voluntary Action (ARNOVA) in November 2005. Bekkers is a co-designer of the Giving in the Netherlands Panel Survey since 2001. In his current research, funded by a grant of the Netherlands Organization for Scientific Research (NWO), he studies the impact of education on giving and volunteering. His key articles include:


**Angela Bies** is an Assistant Professor at the Bush School of Government at Texas A & M University. Her research interests include nonprofit accountability, capacity-building, and evaluation. Her current research focuses on a national accountability reform in Poland's nongovernmental sector, as well as a comparative study of nonprofit capacity building in Pennsylvania, Minnesota, and Texas. She served as lead qualitative analyst on a longitudinal study concerned with accountability and U.S. secondary school reform, sponsored by the National Science Foundation. She is a former nonprofit executive and served in several public service settings including the US Peace Corps, the United Way of the Greater Minneapolis Area Council of Agency Executives, the National Endowment for the Arts, the Council on Standards for International Education and Travel, and the National Charities Information Bureau/Rockefeller Brothers Fund national panel on nonprofit accountability. Bies was awarded the 2004 Gabriel G. Rudney Award for Outstanding Dissertation in Nonprofit and Voluntary Action Research from the Association for Research on Nonprofit and Voluntary Action Association and a 2004 Johnson Award for Best Paper in Ethics and Accountability in the Public Sector, Johnson Institute for Responsible Leadership, Graduate School of Public and International Affairs, University of Pittsburgh, for the paper, “Accountability in Polish NGOs: Moral and Operational Matters”. Her key articles include:


**H. Woods Bowman** is Associate Professor of Public Services Management at DePaul University. Before joining the DePaul faculty he served as Chief Financial Officer of Cook County, 1990-94 and interim Executive Director of Goodwill Industries of Metropolitan Chicago, 1995. He edits *ARNOVA Abstracts* and writes the Nonprofit Ethicist column for the *Nonprofit Quarterly*. His recent publications include:

- Should Donors Care about Overhead Costs? Do They Care? (2006), *Nonprofit and Voluntary Sector Quarterly*.


**Maryam Zarnegar Deloffre** is a Ph.D. candidate in political science at George Washington University in Washington, D.C. Her dissertation examines the emergence and design of NGO accountability institutions in the humanitarian and development sector. Her research interests include the evolution of humanitarianism, the agenda-setting of humanitarian NGOs and the policy effects of NGO accountability. She is recipient of the ARNOVA Emerging Scholar Award and the Columbian College of Arts and Sciences Graduate Student Research Grant among others. She holds an M.A. in international organization from the Institut d’Etudes Politiques de Paris-Sciences Po, Paris, France and a B.A. in political science and French from the University of Illinois Urbana-Champaign. Her key conference presentations include:


- *Opening the black box of non-governmental organizations: What IR can learn from Public Policy*. Presented at the Midwest Political Science Association Annual Conference April 7-10, 2005 Chicago, Illinois.
Peter Frumkin is Professor of Public Affairs and Director of the RGK Center for Philanthropy and Community Service at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin. Frumkin is the author of *On Being Nonprofit: A Conceptual and Policy Primer* and *Strategic Giving: The Art and Science of Philanthropy*, and co-editor of *In Search of the Nonprofit Sector*. He has written articles on topics related to nonprofit management, philanthropy, cross-sector partnerships, and service contracting.

Prior to coming to the LBJ School in 2005, he was an Associate Professor of Public Policy at Harvard University’s John F. Kennedy School of Government, where he was affiliated with the Hauser Center for Nonprofit Organizations. Frumkin has been a Senior Fellow of the New America Foundation, and has worked as a foundation program officer, a nonprofit manager, and program evaluator for both nonprofit and public agencies. He has lectured on philanthropy at universities throughout the country and served as a consultant to foundations and individual donors on strategy and evaluation. His recent publications include:


Andreas Ortmann is professor and senior researcher at CERGE-EI, a joint workplace of Charles University and the Academy of Sciences of the Czech Republic (Prague) and the director of the newly founded Center for Design Economics. He is also a visiting professor at CIFREM (Interdepartmental Centre for Research Training in Economics and Management), University of Trento, Italy. In 2006-07 he was a visiting scholar at Harvard Business School in Cambridge, MA. He has published in *Journal of Economic Theory, International Journal of Game Theory, Journal of Economic Behavior and Organization, Economics Letters, Behavioral and Brain Sciences, Experimental Economics, History of Political Economy*, and *Rationality & Society*. He is interested in the origin and emergence of languages, moral sentiments, and other conventions, as well as experimental methodology. His key articles include:


**Dana Brakman Reiser** is a Professor of Law at the Brooklyn Law School. An expert in the emerging field of the law of nonprofit organizations, she has been at the forefront of research in this area. Her writing focuses on two distinct, but related concerns in nonprofit law: (1) nonprofit accountability and governance; and (2) the role of members and other non-fiduciary constituencies in nonprofit organizations. She is a member of the Government Relations Committee of the Nonprofit Coordinating Committee of New York. Before joining the faculty, Professor Brakman Reiser was a Legal Fellow in the Office of the General Counsel of Partners HealthCare System, Inc. and served as a Law Clerk to Judge Bruce Selya of the United States Court of Appeals for the First Circuit. She also was a Note Editor of the *Harvard Law Review*. Her key publications include:


**Mary Tschirhart**, is the Director of the Campbell Public Affairs Institute of Syracuse University and associate professor of public administration at the Maxwell School of Citizenship and Public Affairs. Before arriving at Syracuse University in 2002, she was a faculty member at Indiana University’s School of Public and Environmental Affairs and had affiliations with the Center on Philanthropy and the Museum Studies Program. She earned a doctorate in organizational behavior and human resource management from the University of Michigan. Her research addresses management issues in public and nonprofit organizations. She has written on stakeholder management, collaboration, membership dynamics, diversity in organizations, and issues related to service and volunteer behavior. Her research grants have addressed national service programs, association membership dynamics, corporate
service programs, and other topics. Professor Tschirhart has numerous consulting, board governance, and professional service experiences. She is on the board of ARNOVA (The Association for Research on Nonprofit Organizations and Voluntary Action), Vice President for North America of IRSPM (International Research Society for Public Management) and Chair of the Nonprofit Management Education Section of NASPAA (National Association of Schools of Public Affairs and Administration). She is the past Division Chair of the Public & Nonprofit Division of the Academy of Management. Her key publications include:


**Dennis R. Young** is Bernard B. and Eugenia A. Ramsey Professor of Private Enterprise in the Andrew Young School of Policy Studies, Georgia State University. He serves as the Director of the Nonprofit Studies Program and Professor of Public Administration and Urban Studies (Joint with Economics). He helped establish the Mandel Center for Nonprofit Organizations at Case Western and was its director from 1988 to 1996. He is also president and founding CEO of the National Center on Nonprofit Enterprise based in Arlington, Virginia. From 1972 to 1987, he was a Professor at the W. Averell Harriman School for Management and Policy. He is the recipient of numerous grants concentrating on nonprofit interests, and is a widely respected authority in the nonprofit field. Young has written many articles and several books, including *The Music of Management: Applying Organizational Theory*, and co-authoring *Corporate Philanthropy at the Crossroads*, and *Economics for Nonprofit Managers*. He is founding editor of the journal *Nonprofit Management & Leadership*, which he edited from 1990 through 2000. He was recently named to the NonProfit Times "Power and Influence Top 50" list. A former President of the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA), Dr. Young recently received this organization's Award for Distinguished Achievement and Leadership in Nonprofit and Voluntary Action Research. His recent work includes:


- The Changing Identity of Federated Community Service Organizations
  Eleanor Brilliant, Dennis R Young. *Administration in Social Work*. 2004, 28(3)