Voluntary Regulation of NGOs and Nonprofits

How can nonprofit organizations and NGOs demonstrate accountability to stakeholders and show that they are using funds appropriately and delivering on their promises? Many nonprofit stakeholders, including funders and regulators, have few opportunities to observe nonprofit internal management and policies. Such information deficits make it difficult for “principals” to differentiate credible nonprofits from less credible ones. This volume examines a key instrument employed by nonprofits to respond to these challenges: voluntary accountability clubs. These clubs are voluntary, rule-based governance systems created and sponsored by nongovernmental actors. By participating in accountability clubs, nonprofits agree to abide by certain rules regarding internal governance in order to send a signal of quality to key principals. Nonprofit voluntary programs are relatively new but are spreading rapidly across the globe. This book investigates how the emergence, design, and success of such initiatives vary across a range of sectors and institutional contexts in the United States, the Netherlands, Africa, and Central Europe.

MARY KAY GUGERTY is Associate Professor in the Daniel J. Evans School of Public Affairs at the University of Washington, Seattle.

ASEEM PRAKASH is Professor of Political Science and the Walker Family Professor for the Arts and Sciences at the University of Washington, Seattle.
Voluntary Regulation of NGOs and Nonprofits

An Accountability Club Framework

Edited by
Mary Kay Gugerty
and
Aseem Prakash
For Dan and Aidan
M. K. G.

For Nives and Alexander
A. P.
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Contributors

RENÉ BEKKERS is Associate Professor and Head of Research at the Department of Philanthropic Studies at the Vrije Universiteit Amsterdam. He received his PhD in 2004 with a dissertation on giving and volunteering in the Netherlands, which was awarded the Gabriel Rudney memorial award by the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) in November 2005. Bekkers has been a co-designer of the Giving in the Netherlands Panel Survey since 2001. In his current research, funded by a grant from the Netherlands Organization for Scientific Research (NWO), he is studying the impact of education on giving and volunteering.

ANGELA BIES is 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 US 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.

WOODS BOWMAN is Professor of Public Services Management at DePaul University. Before joining the DePaul faculty he served as Chief Financial Officer of Cook County, 1990–1994 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.
DANA BRAKMAN REISER is 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: nonprofit accountability and governance, and the role of members and other nonfiduciary 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.

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. He is the author of On Being Nonprofit: A Conceptual and Policy Primer (2002) and Strategic Giving: The Art and Science of Philanthropy (2006), and co-editor (with Jonathan Imber) of In Search of the Nonprofit Sector (2004), and 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. Professor Frumkin has also 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.

MARY KAY GUGERTY is Associate Professor at the Daniel J. Evans School of Public Affairs at the University of Washington, Seattle. Her research interests focus on the emergence and design of collective action institutions among individuals and organizations, particularly in developing countries. Her research has been published in the American Journal of Political Science, Economic Development and Cultural Change, Journal of Public Economics, and Public Administration and Development, among others. She currently serves as the program director of African Studies at the University of Washington and on the editorial board of the Journal of Public Administration Research and Theory. Professor Gugerty earned her PhD in Political Economy and Government at Harvard University and holds a Masters in Public Administration from the John F. Kennedy School of Government at Harvard.
ANDREAS ORTMANN is Professor of Economics at the Australian School of Business at the University of New South Wales. He is also a visiting professor at CIFREM (Interdepartmental Center for Research Training in Economics and Management), University of Trento, Italy. In 2006–2007 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.

ASEEM PRAKASH is Professor of Political Science and the Walker Family Professor for the Arts and Sciences at the University of Washington, Seattle. He is the founding, General Editor of the Cambridge University Press Series on Business and Public Policy and the co-editor of Journal of Policy Analysis and Management. He is the author of Greening the Firm: The Politics of Corporate Environmentalism (2000), co-author (with Matthew Potoski) of The Voluntary Environmentalists: Green Clubs, ISO 14001, and Voluntary Environmental Regulations (2006), co-editor (with Matthew Potoski) of Voluntary Programs: A Club Theory Perspective (2009), and co-editor (with Jeffrey Hart) of Globalization and Governance (1999), Coping with Globalization (2000), and Responding to Globalization (2000).

KATARINA SVÍTKOVÁ is Dean of the School of Business Administration at the Anglo-American University in the Czech Republic. She is an Affiliate Researcher at the Center for Economic Research and Graduate Education–Economic Institute (CERGE-EI) of Charles University and the Academy of Sciences of the Czech Republic. She holds a PhD in Economics from CERGE-EI. Her research focuses on issues of nonprofit certification, philanthropy in transition economies, and the development of pension and social welfare systems.

MARY TSCHIRHART is Professor and Director of the Institute for Nonprofits at North Carolina State University and Professor of Public Administration. Before arriving at NC State, she was a faculty member at Syracuse University’s Maxwell School and Indiana University’s School of Public and Environmental Affairs. She earned a doctorate in organizational behavior and human resource management from the University of Michigan. Professor Tschirhart serves on the board of the Association for Research on Nonprofit Organizations and Voluntary
Notes on contributors

Action (ARNOVA), as the Vice President for North America of the International Research Society for Public Management, and as Chair of the Nonprofit Management Education Section of the National Association of Schools of Public Affairs and Administration. She is the past Division Chair of the Public and Nonprofit Division of the Academy of Management.

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, and serves as the Director of the Nonprofit Studies Program and Professor of Public Administration and Urban Studies (Joint with Economics). He is also President and founding CEO of the National Center on Nonprofit Enterprise and has written many articles and several books, including _The Music of Management: Applying Organizational Theory_ (2004) and (with Richard Steinberg) _Economics for Nonprofit Managers_ (1995). He is co-editor (with Dwight Burlingame) of _Corporate Philanthropy at the Crossroads_ (1996). He is founding editor of the journal _Nonprofit Management & Leadership_, which he edited from 1990 through 2000, and was named in 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.

MARYAM ZARNEGAR DELOFFRE is a PhD candidate in political science at George Washington University in Washington, DC. 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 Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Emerging Scholar Award and the Columbian College of Arts and Sciences Graduate Student Research Grant among others. She holds an MA in international organization from the Institut d’Etudes Politiques de Paris-Sciences Po and a BA in political science and French from the University of Illinois Urbana-Champaign.
Preface

The growth in the scale and scope of the nonprofit sector has been accompanied by numerous accountability challenges. Nonprofits have responded to these demands for increased accountability in a variety of ways. This volume focuses on a key accountability instrument employed by nonprofits: voluntary programs or codes, or voluntary clubs as we term them. Voluntary clubs seek to create institutional incentives for participating actors to adopt specific codes of conduct and practices beyond what is legally required of them. If accountability issues can be viewed as “agency problems,” voluntary clubs provide an opportunity for nonprofits (as agents) to signal to their resource providers and authorizers (as principals) that they are governing as agreed and delivering as promised. By virtue of their membership in such accountability clubs, nonprofits expect that the resource providers will reward them with more resources and less onerous governance costs.

Voluntary clubs are complex institutional structures. To explore their institutional design issues, we draw on the club approach which is well established in political economy. We bring in the principal–agent perspective to explore agents’ motivations for establishing and joining voluntary clubs, and the principals’ responses to them. The empirical chapters explore three core themes: (1) the emergence of voluntary accountability clubs, (2) club sponsorship, and (3) club design and effectiveness.

This volume 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. 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.

We began working on this project in the summer of 2007. We developed an introductory concept chapter and carefully identified scholars...
doing interesting work on nonprofit accountability. Thanks to generous financial support from the Office of the Dean, Daniel J. Evans School of Public Affairs and the Marc Lindenberg Center, both at the University of Washington, we organized a workshop for the authors at University of Washington in April 2008. At this workshop, the contributors presented the first drafts of their chapters. They received valuable feedback from one another and from University of Washington graduate students and faculty who served as discussants. After the workshop, we provided detailed feedback on every chapter; our feedback also reflected the comments offered by Cambridge University Press reviewers. The chapters were revised in summer 2008 and again in spring 2009. The result is a series of very strong, coherent chapters that respond to the theoretical framework outlined in the introductory chapter. Our theoretical framework also draws on our article “Trust but Verify? Voluntary Regulation Programs in the Nonprofit Sector” published in *Regulation and Governance* 4(1) (2010): 22–47.

This project has received valuable support, input, and feedback from the following individuals: Leigh Anderson, Sandra Archibald, Sara Curran, Stephan Hamberg, Christopher Heurlin, Sanjeev Khagram, Andrea Lairson, Stephen Page, and Christi Siver. Our sincere gratitude goes to John Haslam, the Commissioning Editor, for his support and encouragement. Most of all, we want to thank our families, who supported us and tolerated the long hours we put in to bring this project to fruition. We dedicate this volume to them.