INGOs, Inc. - The Effects of INGO Adoption of "Best Corporate Practices" on Funding Received

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Abstract

In recent years, the exponential growth of the nonprofit sector, the large amounts of funding devoted to it, the occurrence of major scandals in the corporate and nonprofit realms, and the fear that international non-governmental organizations (INGOs) are particularly vulnerable to misuse of funds for terrorist purposes contributed to creating a more stringent environment for INGO operations. Most of the new accountability demands on INGOs and proposed solutions seem to emanate from practices implemented in the corporate sector. In this paper, we ask: 1) how well have norms of accountability and transparency traveled from the corporate to the nonprofit sector? and 2) how does the adoption (or non-adoption) of these corporate norms affect the financial performance of INGOs? Based on insights from organizational change theories, we argue that adopting corporate best practices of accountability is likely to keep an INGO's financial performance stable or to improve it. INGOs that copy corporate best practices are likely to improve their financial performance more than INGOs that adapt them. However, INGOs which copy corporate best practices are more likely to experience lower mission performance than INGOs which adapt them to their environment. We focus on two case studies: Greenpeace USA and Environmental Defense Fund (EDF). We rely on interviews with INGO board members and staff and with experts from institutions such as the Foundation Center, official documentation, and the news media. If our propositions are found to be correct, it could put into question the current relationships between NGOs and corporations.

In recent years, a combination of factors has led to a major shock in the environment of international non-governmental organizations (INGOs). The exponential growth of the sector, the increasingly large amounts of funding devoted to it, the retreat of the welfare state, the occurrence of major scandals both in the corporate (e.g. WorldCom, Enron) and in the nonprofit (e.g. United Way) realms, and the fear that INGOs are particularly vulnerable to misuse of funds for terrorist purposes all contributed to creating a more stringent and competitive environment for INGO operations. Grantmakers now use short-term, project-based contracts because it is assumed that more competition between grantees will increase efficiency (Cooley & Ron, 2002). INGOs have to demonstrate their efficiency rapidly and frequently through measurable indicators. Greater emphasis is put on proper accountability, transparency, and governance.

Most of the new demands on INGOs and proposed solutions seem to emanate from practices already implemented in the corporate sector. In this paper, we ask two interrelated questions: 1) how well have norms of accountability and transparency traveled from the corporate to the nonprofit sector? and 2) how does the adoption (or non-adoption) of these corporate norms affect the financial performance of INGOs? This paper will hopefully become part of a larger project on the adoption of corporate best practices by INGOs and its effect on INGO performance. The project is based on the idea that INGOs have two sets of sometimes competing incentives: organizational incentives to survive and mission-related incentives. When INGOs are placed in an environmental context in which funding is scarce and more resources have to be expanded merely to be able to function (which seems to be the case presently with the shock discussed above), do NGOs choose to adopt policies that ensure organizational survival at the expense of their mission?

There appears to be a fear in the NGO sector that if an organization becomes more business-like, it will eventually move away from its original benevolent mission. So two questions appear crucial here. First, does adopting corporate practices actually lead to better financial performance and thus to organizational survival? Second, does focusing on organizational survival ultimately lead to mission drift or to poorer performance on mission? This paper begins to answer the first of these two questions. Based on insights from organizational change theories, we argue that adopting corporate best practices of accountability and transparency is likely to keep an INGO's financial performance stable or to improve it. INGOs that copy corporate best practices wholesale are likely to improve their financial performance more than INGOs that adapt them. However, in terms of the larger project, we expect that INGOs which copy corporate best practices are more likely to experience lower mission performance in the future than INGOs which adapt the practices to their environment.

We focus on two case studies: Greenpeace USA and Environmental Defense Fund (EDF). We are currently conducting interviews with members of the board of directors and management staff at both INGOs as well as experts from institutions such as the Foundation Center, the Aspen Institute and the Urban Institute.

This project is significant theoretically because it will help answer broader questions in the international relations literature, particularly about norms. Effectively, the "best corporate practices" discussed here are norms which travel from one sector of the economy (corporate/private) to another (nonprofit), so studying them can contribute to our understanding of how norms travel in the international system. In addition, as opposed to traditional studies in which INGOs use norms to affect other organizations, this work is concerned with how norms can affect INGOs themselves. In turn, this ties in with studies of NGO adaptation and survival. How do NGOs cope with major changes in their environment? This project is also significant practically as it starts to uncover patterns of NGO funding and may help INGOs to cope with future changes by analyzing current adaptive strategies and the pathologies that can result from these strategies. If our initial propositions are found to be correct, it could put into question the entire set of relationships that has developed between NGOs and corporations in recent years as well as foundations practices in selecting the INGOs they sponsor.

The first section of this paper defines what a norm is and presents international relations (IR) theories that have been used to explain norm diffusion from NGOs to states. The second section moves away from states but applies some of the insights of IR theory to the diffusion of norms from NGOs to corporations. The sociology and management literatures on corporate norm diffusion are not really discussed in this section, but we intend to incorporate them more in future work. The purpose of these two sections is to better understand the process of norm diffusion that NGOs use to then apply it to contexts in which other actors, such as corporations, diffuse their norms to NGOs. The following sections, on organizational learning, organizational change, and organizational performance are more concerned with how NGOs are expected to respond to these new corporate norms and how their response can affect their financial performance. A brief section on methodology and a section describing the two case studies follow. Finally, the results of the interviews are presented and discussed in relation to the theory. At this stage in the research, this paper is more of an exercise in hypothesis generation. The case studies, which will be examined in more depth in the coming months, constitute a plausibility probe of the hypotheses presented.

Norm Diffusion and International Relations

The norm literature in IR helps answer four questions. First, what is a norm? Second, why do norms change over time and when are they likely to change? Third, why do some norms prevail over others? Fourth, how are norms diffused?

The prevailing definition of a norm is a standard of appropriate behaviour for actors with a given identity (Katzenstein, 1996: 5; Finnemore & Sikkink, 1998: 891; Keck and Sikkink, 1998: 3). Norms can be divided into two categories: regulative norms and constitutive norms. Regulative norms constrain behaviour related to an already existing identity whereas constitutive norms create a new identity by defining the categories of interests and practices that characterize it (Katzenstein, 1996: 5; Finnemore & Sikkink, 1998: 891; Ruggie, 1998: 871). According to Finnemore and Sikkink (1998), norms follow a "life cycle." The first stage of the cycle is norm emergence when the norm is created. The tipping point is the point at which a critical number of actors adopt the norm. Once this threshold is reached, the second stage, norm cascade, follows as actors which previously did not want to adopt the norm start adopting it rapidly. The third and final stage is norm internalization. Actors now stop questioning the norm as they perceive it as the appropriate, or normal, thing to do. Obviously, this entire process does not happen in a vacuum. As Finnemore and Sikkink (1998: 897) highlight, norms "emerge in a highly contested space where they must compete with other norms and perceptions of interest" (see also Florini (1996)), which leads us to ask what makes one norm prevail over other norms competing with it. Why do norms change over time?

Constructivists argue that humans behave according to the "logic of appropriateness": that they perform actions based on the perception that it is their duty, that it is what is appropriate for them to do, based on their identity and the situation (March & Olsen, 1984; 1998). Norms change when they no longer coincide with what is considered appropriate. Florini (1996) associates norm change with horizontal reproduction of norms and the status quo with vertical reproduction. Vertical reproduction occurs when a norm is transmitted from one generation to the next. Horizontal reproduction occurs when one actor emulates another actor by adopting the same norm. Horizontal reproduction, and therefore a change of norms, is more likely when there is a change in leadership, when previous norms have failed, or when a new issue arises and few or no existing norms can address it (Florini, 1996: 378). Yet, knowing when a change in norms will occur does not tell us why one norm will prevail over others.

We consider a norm to prevail over other norms when actors, in this case states, which perceive themselves as part of a certain identity group (e.g. liberal democracies) or want to become part of a specific identity group deem that their identity requires them to behave in accordance with this norm as opposed to competing norms. The norm becomes widely accepted and internalized within the group. Authors disagree as to why a norm becomes widely accepted. Some authors focus on the norm itself as an indicator of its potential power while others also focus on the actors which disseminate it. Keck and Sikkink (1998) and Legro (1997) appear to belong to the first category while Florini (1996) belongs to the second. Keck and Sikkink (1998: 27) argue that norms concerning "bodily harm to vulnerable individuals" and norms about "equality of opportunity" tend to be most compelling. Legro (1997: 34-35) argues that clear, specific norms that have been in effect for a long period of time have a greater impact than other norms. Florini (1996) focuses both on the coherence of the norm with existing norms and on its prominence. Norms endorsed by powerful or prestigious states, whether those states actively promote the norm or not, tend to be advantaged (Florini, 1996: 374-375). Yet, most scholars seem to agree that norms do not diffuse by themselves and that a norm entrepreneur is usually necessary to promote a new norm (Finnemore & Sikkink, 1998; Keck & Sikkink, 1998; Florini, 1996). According to Finnemore and Sikkink (1998: 898), norm entrepreneurs choose to diffuse norms for various reasons, but are generally motivated by empathy, altruism, and ideational commitment. They believe in the norm they promote and want to improve the well-being of others even if it has no direct impact on their own well-being. But once there is a norm entrepreneur, how does s/he diffuse the norm?

Two interrelated models of norm diffusion are prominent in the literature: the boomerang model and the spiral model. In the boomerang model, a local NGO or grassroots movement wants to promote a norm domestically, but is blocked access to the government. This NGO transfers information to its transnational network of NGOs. These NGOs then pressure their own governments to take action against the original NGO's domestic government (Keck & Sikkink, 1998). Recently, scholars like Bob (2005) and Hertel (2006) have brought a more critical perspective on the boomerang model by examining the complex and sometimes conflictual relationships between local NGOs/insurgents and the international NGOs in their transnational networks.

The spiral model can be understood as a series of "several 'boomerang throws'" (Risse, Ropp, & Sikkink, 1999: 18). Initially, the state represses the population, which prevents strong domestic opposition and forces local groups to contact their transnational networks to put pressure on the state. In response to outside pressures, the state not only denies the accusations brought against it, but accuses others of illegitimate intervention in its domestic affairs. Eventually, continued outside pressure, notably through shaming, leads the state to make tactical concessions. Even if the government does not perceive the norm as valid, it adjusts its behaviour to be in line with the norm to retain its legitimacy, which facilitates domestic mobilization. The state, now pressured from above and from below, starts accepting the validity of the norm and talking in terms of the norm although it might still violate it. Finally, the behaviour of the state becomes consistent with the norm, which leads to demobilization of the NGO network (Risse, Ropp, & Sikkink, 1999; Risse, 2000). The norm diffusion process discussed in the spiral model merges the rationalist and constructivist diffusion mechanisms presented by Checkel (1997: 477):

"societal pressure on elites" and "elite learning dynamic." In the first case, the norm is adopted for instrumental reasons (tactical concessions) while in the second case, the norm is actually internalized by elites (rule-consistent behaviour). The difference between the two accounts is that Checkel (1997) appears to argue that one of the two main diffusion mechanisms will dominate depending on the domestic regime type whereas the spiral model suggests that both mechanisms will come into play successively in the same regime.

Now that we have examined the IR literature on norms and how NGOs can affect states, we want to look more closely at the relationship between NGOs and corporations.

Transfer of Norms between NGOs and Corporations

As illustrated above, in the norms literature, NGOs usually take the role of the norm entrepreneurs which attempt to change the behaviour of other actors in the system, such as states, international organizations, and corporations. In this project, we are interested in the reciprocal relationship: how norms travel from other international actors like states and corporations to NGOs. NGOs are not just norm promoters; they are norm-takers as well. In this section, we examine the transfer of norms from NGOs to corporations to see how it can inform our study of the transfer of corporate norms to NGOs.

It is argued that NGOs have started to target corporations directly, as opposed to governments, with the advent of globalization and the rise of neoliberal policies. According to this argument, the emphasis on free trade and the retreat of the state have caused an increase in corporate power, which made corporations an important target for NGOs desiring social change (Bartley, 2003; Newell, 2001; Trumpy, 2008). Another argument is that NGOs tend to target corporations if their attempts to target states, or international organizations, fail (Wapner, 1996: 314-5; Bartley, 2003).

The strategies that NGOs use to diffuse norms to corporations are very similar to those they use with states. Keck and Sikkink (1998: 25) underline that strategies of information politics, symbolic politics, leverage politics, and accountability politics can be used to influence states, but also international organizations and private actors. Although Keck and Sikkink (1998) do not discuss this particular aspect of strategies, a number of scholars differentiate between cooperative/collaborative and confrontational strategies, which NGOs often use jointly (Newell, 2001; Hendry, 2006; Sasser et al., 2006; Trumpy, 2008). Cooperative strategies notably include partnerships (e.g. Environmental Defense Fund and McDonald's) and certification programs (e.g. Forest Stewardship Council). Confrontational strategies notably include consumer boycotts (e.g. Shell boycott during Brent Spar incident, Friends of the Earth and the fast food industry's use of styrofoam), shareholder activism (i.e. when an NGO buys a limited number of shares to assist to shareholder meetings and put pressure on the corporation) and monitoring (e.g. CorpWatch).

Evidence as to the efficiency of joint strategies in making corporations adopt the NGOs' preferred solution to a problem is at best mixed. Sasser et al. (2006: 21) explain how the collaborative then confrontational practices of the Rainforest Action Network (RAN) regarding the firm International Paper lead the latter to distrust NGOs and to refuse engaging with any environmental group. Trumpy (2008), on the other hand, details how the confrontational then collaborative efforts of Greenpeace towards Coca-Cola in the greenfreeze fridge case led to relative success. Coca-Cola did not implement all the policies it had promised to implement, but still made substantial efforts to meet the demands of Greenpeace. Therefore, it seems that for NGOs to mix collaborative and confrontational strategies is not "good" or "bad" in and of itself, but that the particular approach to mixing strategies is important in determining whether a corporation will follow NGO prescriptions or not. Then again, in the case of International Paper, the firm still adopted a certification system. It just adopted the industry-backed system rather than the system that had been created in collaboration with NGOs. So one could argue that, even if the tactics of RAN had adversarial effects regarding the choice of a specific certification system, International Paper still acted in accordance with the new norm of forest certification.

Some corporations tend to be more prone to NGO targeting than others. Retail companies that are highly visible and are recognized by the public (e.g. Home Depot) as well as companies with reputable brand names (e.g. Nike) are more vulnerable than suppliers or resource-extractors (Gereffi et al., 2001; Bartley, 2003). Many corporations are "relatively insulated" from NGO campaigns because their operations are not really influenced by consumer pressures (Newell, 2001). Yet, NGOs can affect these corporations indirectly by allying with other actors on which the corporation is dependent (Hendry, 2006), such as suppliers or corporate clients threatening to cancel their contracts (e.g. Greenpeace allying with News International against MacMillan Bloedel) and investors selling their shares in the company (e.g. NGOs convincing Talisman shareholders to sell their shares because of the oil company's operations in Sudan). In cases of collaborative strategies such as partnerships, NGOs will tend to target corporations with which they have had previous contacts (Hendry, 2006).

Corporations seem to respond to NGO strategies similarly to states. As the spiral model expects of states, corporations appear to accept a new norm based on rational calculations first. They often try to demonstrate commitment to the norm rhetorically without actually changing their behaviour (referred to as "greenwashing", see also Trumpy's (2008) concept of "co-optation") or accept the norm to prevent more stringent government regulation (which could also be contradictory from one state to the next) (Gereffi et al., 2001; Newell, 2001; Koenig-Archibugi, 2004). However, with continued pressure corporations often eventually internalize the norm, as the spiral model suggests. One difference between states and corporations is their motivations in adhering to norms. States adhere to new norms for normative reasons, mostly to maintain their legitimacy in the international system. Corporations are also very protective of their reputation and need to keep consumer trust in their brand/products. However, this normative motivation to adopt external norms is complemented by a more instrumental motivation: if the corporation loses its legitimacy, it will result in financial losses (Richter, 2001: 189; Sasser et al., 2006: 5-6; Trumpy, 2008).

A number of elements which applied to corporations above have a parallel in NGOs. First, one could argue that NGOs, like corporations, have gained a certain amount of power and visibility with globalization. That now also makes them the targets of criticism for social change. They are frequently accused of being undemocratic and of lacking accountability and transparency. Today, NGOs are created to monitor other NGOs (e.g. NGOWatch, NGO Monitor). Second, some NGOs are probably more prone to be "targeted" by corporations than others. Large, reputable NGOs as well as NGOs known to foster good relations with business partners are probably more likely to attract corporations' attention and participation than others. Also, some NGO governance structures might be more conducive to corporate influence. For instance, if corporate representatives are admitted to an NGO's board of directors, the NGO is more likely to be in contact with corporate ideas and norms. Third, we expect NGOs to behave like both states and corporations and to first accept new norms for rational reasons. NGO leaders and staff are devoted to their mission and tend to be less interested in the administrative side of NGO operations. So it is possible that NGO leaders adopt best corporate practices because their stakeholders ask for such practices to be implemented or because the practices make good organizational sense, not because they necessarily agree with these practices. Then, with time, they might start to internalize the practices. Fourth, NGOs' motivations in adopting corporate best practices appear to be both normative and instrumental like corporations. An NGO's reputation and credibility are essential. How could an NGO demand accountability and transparency from other organizations if it is not accountable and transparent itself? Yet, at the same time, an NGO may also be encouraged to implement corporate standards of accountability by donors and may fear that it will lose funding if it does not.

One important difference between the transfer of norms from NGOs to corporations and that of corporations to NGOs seems to be that corporations do not target NGOs in the same way as NGOs target corporations. Other actors like the media (and academia to some extent) target NGOs directly, but corporations usually appear to collaborate with NGOs for their own benefit (e.g. to increase their social legitimacy). They do not seem to partner with NGOs or to send a representative to their board of directors with the purpose of changing NGOs. The adoption of corporate norms by NGOs, if it does take place, seems to take place more organically, less forcefully. A second difference is in the nature of the norms that travel from the corporate sector to the nonprofit sector. When NGOs campaign against a corporation or enter in a partnership with corporations, the norms they are trying to transmit to these corporations are usually "moral" norms, norms about what is right and wrong, like that it is unacceptable to use nets that kill thousands of dolphins to catch tuna even if these nets tend to catch more tuna than other nets which would kill less dolphins. The norms that are transferred from the corporate sector to NGOs tend not to be "moral" in the same sense. They are usually meant to increase the organization's efficiency. However, there are notable exceptions, such as corporations attacking NGOs which have attacked them. For example, in the Brent Spar case, Shell responded to Greenpeace's attacks by questioning Greenpeace's credibility and legitimacy. Eventually, the media and government also became critical of Greenpeace's science. This episode led to calls for greater transparency and oversight of NGOs, which is similar to the pressures corporations like Shell were facing.

When an organization, be it a state, a corporation, or an NGO, adheres to a new norm, a change takes place within the organization. In fact, the change may have started before the norm is officially adopted. Organizations learn new information that leads them to change their perception of their environment and change their behaviour accordingly. This is why we now turn to theories of organizational learning and organizational change to help us determine who transfers best corporate practices to NGOs, how well the norms travel, and how NGOs respond.

Organizational Learning

Organizational learning is a paradoxical concept because organizations only learn to the extent that individuals within the organizations do. Yet what specific individuals learn is not necessarily transferred to the organization. Hence, it appears logical to distinguish individual from organizational learning. Levy suggests that organizational learning is a four-step process: 1) individual learning based on feedback from the environment; 2) action intended to change organizational behaviour; 3) change in organizational behaviour; and 4) more environmental feedback (1994: 288). The learning process can be blocked at any of these steps. Organizational learning has been defined in many different ways, but is generally understood to involve an accumulation of knowledge that corrects errors and improves the organization's actions (Argyris & Schön, 1978: 2; Fiol & Lyles, 1985: 803; Dodgson, 1993: 377; Levy, 1994). Scholars in the literature accept that organizational learning is a form of learning even if organizations do not actually learn on their own. Furthermore, their definitions usually assume that learning, even though it can result in negative consequences, is by and large a positive process.

Ebrahim (2003) discusses three types of organizational learning: learning by doing (trial and error), learning by exploring (searching new ideas), and learning by imitating (copying other organizations). This project is mainly concerned with learning by imitating since we are interested in the transfer of norms from the corporate to the nonprofit sector: when do NGOs imitate firms and why? Basically, learning by imitating (also referred to as "vicarious learning") occurs when one organization copies the behaviour of another one (Ebrahim, 2003: 108-9; Huber, 1991: 96-7). In this study, we distinguish between two types of imitation: "strict copying" and "adaptation." Strict copying is understood as the adoption of corporate practices without any attempt at modifying them from their original format. Adapting, on the other hand, consists in explicit modifications of the original practices to better fit the INGO environment or context.

Our interpretation of the term "adaptation" is similar to Acharya's (2004) concept of "localization." Localization is a process by which norm-takers do not simply accept or reject foreign or transnational norms based on the latter's fit with local norms, but actually "build congruence" between the two to eventually incorporate the foreign norms within local practices (Acharya, 2004: 241). Acharya explicitly defines localization as more specific and voluntary than adaptation. Constructivists understand adaptation as the norm-taker changing (voluntarily or by force) to fit the external reality whereas localization is a two-way process whereby the external norms are also modified by the norm-taker to fit the internal reality of the organization (Acharya, 2004: 250-1). Our interpretation of adaptation is consistent with Acharya's localization because we try to find instances in which INGO staff or members voluntarily and explicitly seek to modify existing corporate practices (Acharya's transnational norms) with the goal of making these practices more consistent with their own nonprofit environment and culture (Acharya's local norms).

In this project, we consider that learning by imitation took place if three elements are present. First, the strategy or behaviour was understood as a "best corporate practice" at time T. Second, INGO staff or members were made aware of this corporate practice by actors external to the organization (e.g. a corporation, a government agency, a donor, a consultant, etc.). Third, the INGO adopted the practice (with or without changing it) at time T+1. We deem that adaptation specifically took place if we find evidence that any member questioned the applicability of the practice to the INGO and effected modifications as a result. Modifications do not have to be substantial, but they cannot be modifications which have no practical consequence for us to consider them an example of adaptation (e.g. wording changes).

Learning and Organizational Change

Organizational learning, be it by imitating or not, is a very important concept in understanding organizational change because it is often one of the main mechanisms through which change occurs in organizations. Different levels of learning lead to different levels of change. Argyris and Schön distinguish between two levels of learning: single-loop and double-loop. Single-loop learning occurs when errors are detected and corrected with the purpose of carrying on the current activities of the organization more effectively (Argyris & Schön, 1978: 18-20). This is similar to Hall's (1993) first and second order change. Double-loop learning, on the other hand, occurs when competing values in the organization lead to conflicts. The resolution of the conflicts results in the modification of deeper beliefs and norms in the organization and the setting of new priorities (Argyris & Schön, 1978: 20-6). This is similar to Hall's (1993) third order change. Argyris and Schön explain that organizations often inhibit double-loop learning because they do not want to question their norms and values (1978: 3-4). However, double-loop learning could be triggered after a crisis if a major assessment of the foundations of the organization is undertaken. As Hall highlights, third order change is likely to follow policy failure (1993: 280). Therefore, organizational learning is key in understanding certain aspects of organizational change, such as the nature and timing of change. We want to know if the opposite is also true: can organizational change theories help us understand organizational learning? We think they can.

Following Powell and Friedkin (1987), we discuss three general theories of organizational change: resource dependence theory, institutionalism, and internal conditions theories. Resource dependence theory holds that all organizations depend on resources to survive. No organization can be entirely self-sufficient. Consequently, organizations depend on the organizations in their external environment that provide them with the resources they need to function effectively (Pfeffer & Salancik, 1978). There are three major determinants of extraorganizational dependence according to Pfeffer and Salancik (1978): 1) resource importance, 2) discretion over resource allocation and use, and 3) concentration of resource control.

First, an organization that is dependent on one type of resource is more vulnerable to its external environment than one which depends on multiple inputs. In addition, an organization which cannot function without a particular input is more vulnerable than one which can. For instance, one could argue that Greenpeace's refusal to accept any donation from governments or corporations demonstrates its *independence*. Yet, according to a resource dependence perspective, by limiting the number of types of funding it can accept, Greenpeace is in fact making itself more vulnerable to external control. Second, an organization that cannot exercise any discretion over the use of its resources is more vulnerable to its external environment than one which can. For instance, NGOs generally prefer to receive funding from individuals to grants from foundations because they can use individual donations as they wish to fulfill their purpose whereas foundation grants are often restricted to a specific program and cannot be used for any expense. Third, an organization which receives all its resources from a single group/actor is more vulnerable than one which receives resources from many groups/actors. For instance, if the majority of an NGO's budget comes from a single foundation grant, that NGO is significantly more vulnerable to cuts in this foundation's budget than another NGO which depends on a number of smaller grants. Of course, administrating numerous grants can be demanding for an NGO's management so some organizations might deliberately choose to be more dependent on one donor to avoid burdening management.

What can resource dependence theory tell us about the diffusion and adoption of corporate norms by INGOs? Resource dependence theory emphasizes that organizations will (and should) respond to selected environmental demands, primarily the demands of the groups who hold key resources for their survival. In terms of this project, it means that INGOs are more likely to adopt best corporate practices if the practices are put forth by their major institutional donors. We chose institutional donors even if individual donations often account for the greatest percentage of INGO funding (especially in environmental NGOs) because individual donors usually suffer collective action problems and cannot exercise the same control as organized groups such as foundations and government. According to resource dependence theory, an organization's survival ultimately depends on its ability to obtain resources, not on its performance or its mission. If the theory is correct, we can expect copying to be more prevalent than adaptation because organizations will be trying to please critical donors and not necessarily trying to implement the practices that would improve their performance the most. For example, in his discussion of funder-NGO relationships, Ebrahim (2003) examines the resistance strategy of "symbolism." NGOs collect some of the information that donors demand symbolically – this information is only a signal to the donors and is never actually used by the NGO (Ebrahim, 2003: 96). The purpose of information collection becomes to maintain funding and thus to survive as an organization, not to fulfill the organization's charitable mission.

Like resource dependence theory, institutionalism (also referred to as new institutionalism) underlines the importance of the external environment in effecting organizational change. Institutionalists argue that, in a given field, organizations tend to become increasingly similar (isomorphism) because they are trying to conform to "institutionalized myths" of what is considered appropriate for an organization such as theirs to retain their legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). According to this theory, organizational survival depends on reputation and legitimacy. Even if other organizations are better suited to a given context, the organizations that achieve institutional legitimacy will have better chances of survival. Yet they will eventually become rigid and resistant to change (DiMaggio and Powell, 1983; Strang and Meyer, 1993). Institutional isomorphism can be coercive, mimetic, and/or normative (DiMaggio and Powell, 1983). Organizations can be pressured to change by other organizations on which they depend or which have authority over them. Organizations can attempt to mimic their more successful counterparts, especially in uncertain environments. They can also become more similar through their professional staff, if the latter have received similar academic training (e.g. MBA) or if they are members of professional associations.

What can institutionalism tell us about the diffusion and adoption of corporate norms by INGOs? According to institutionalism, INGOs may not be attracted to corporate practices because of a promise of increased efficiency, but because of the reputation and legitimacy that they can gain through these practices. If INGO leaders believe they are more likely to receive funding from major donor agencies if they behave more like businesses, they will. In addition, INGO leadership may perceive that the public tends to trust organizations with a corporate structure more because it is something that people are familiar with. Therefore, as Meyer and Rowan (1977) and DiMaggio and Powell (1983) suggest, INGOs may not adopt best corporate practices because they actually improve INGO performance, but because such inclusion is understood in the NGO community as the acceptable thing to do. As was the case with resource dependence theory, we expect to find that INGOs will adopt corporate practices demanded by major funders. In fact, institutionalists would expect INGOs to become increasingly similar to their major funding organizations because the latter can exercise coercive pressure on INGOs. Yet, institutionalists would not expect funders to be the only source of corporate norm transfer. Other NGOs in the same organizational field, NGOs in the same networks, independent consultants, professionals within the organization, corporate partners, and even corporations that perform related activities and are perceived to be successful are all potential norm transmitters. Based on the theory of institutionalism, we expect adaptation to be more prevalent than copying. Institutionalized myths, rules, and practices deemed appropriate are socially constructed, sometimes vague or abstracted and change over time (Meyer and Rowan, 1977; Strang and Meyer, 1993). This reduces both the ability and desire of organizations to copy others' practices exactly. As long as they remain sufficiently similar to maintain legitimacy, they can adapt certain practices to their own environment and accept specific aspects while rejecting others for implementation.

The third and final group of theories proposed by Powell and Friedkin (1987: 181) explains organizational change as "reactions to internal conditions – in particular, growth, decline, and crisis." Going back to institutional theory, it seems fair to argue that periods of growth, decline, and crisis are inherently periods of uncertainty for an organization. DiMaggio and Powell (1983: 151-2) would probably argue that, in the presence of uncertainty, an organization would mimic its more successful counterparts. For instance, in a situation of crisis, we expect INGOs to not only accept best corporate practices more easily but to implement them wholesale, without adapting them to the INGO environment. Bennett, in a discussion of emulation, arrives at a similar conclusion: "the more urgency that is perceived, the more likely will be the imitation of solutions without lengthy analysis and investigation" (1991: 223). Adaptation requires too much time and resources for INGO staff who have to react to great uncertainty, who perceive significant time pressures and who are afraid that every extra minute they use in exploring alternatives results in a greater probability of loss.

Other internal conditions that have been theorized to lead to organizational change are "goals and procedures" (Powell and Friedkin, 1987: 181). It has been argued that bureaucratization can lead to the displacement of goals within organizations. Operating procedures become so central to the functioning of an organization that employees begin to see procedures as an end in themselves and not as a means to the greater purpose (Blau & Scott, 2003 [1962]: 228-230). Organizational change can also occur when members of the organization prioritize their own goals or status at the expense of organizational goals (Niskanen (1971) presents this argument on public bureaucracies). In such cases of internal changes, it is likely that best corporate practices would be transferred to the organization by consultants or by staff within the organization itself. However, it is unclear whether the practices would be copied or adapted.

One internal condition that was not mentioned and was not particularly relevant to Powell and Friedkin's (1987) research, but that seems relevant here is the composition of the board of directors of the organization, more specifically the concept of board interlock. According to the board interlock literature in management, an executive for one firm sitting on the board of directors of another firm transfers the information from one to the other, leading to the implementation of the other firm's innovation in his own firm (Davis, 1991; Haunschild, 1993; Mizruchi, 1989; Palmer et al., 1993; Westphal et al., 2001). Here, we are especially interested in individuals who sit both on a corporate board of directors (or multiple boards) and on an INGO board of directors because it allows for the possibility of imitation and direct transfer of best practices from the corporate to the nonprofit sector. Other members of the INGO board trust in these individuals' management expertise and want to use it to the organization's advantage. Effectively, as Austin highlights, results of his survey have shown that business leaders are "seen by most [fellow executive directors and board presidents] as somewhat different from the other board members and [are] 'most highly valued for their professional skills, analytical thinking, management experience, and knowledge of organizational structure'" (1998: 46). Based on this literature, we would expect corporate leaders sitting on INGOs' boards of directors to be a major source of best corporate practices in INGOs. However, it is unclear whether the best corporate practices suggested by board members would be copied or adapted by the INGOs. We think the composition of the rest of the board and the managerial expertise of board members from other sectors might play a role here. Board members with managerial experience in the nonprofit sector might be less likely to adopt corporate practices wholesale.

Organizational Performance

In a general sense, organizational performance is usually understood as the extent to which an organization reaches its goals (Herman & Renz, 1999: 108). The simplicity of this definition may mislead some in thinking that performance is a unidimensional concept, but it is inherently multidimensional. The literature on performance in development NGOs is vast (see for example Carroll, 1992; Riddell and Robinson, 1995; Edwards and Hulme, 1996; Edwards, 1999; Lewis, 2001). Yet, there does not seem to be one accepted operationalization of performance. In addition, because NGOs have multiple stakeholders, which criteria one includes or does not include in an evaluation of performance depends on whether one thinks NGOs should respond primarily to donors or to clients. Complexity arises because organizational survival dictates that donors should come first while morality/purpose dictates that clients should (Brown & Moore, 2001). The question of advocacy NGOs and how to evaluate their performance is a different question that seems to be understudied in the literature.

In this research, we use financial data as a measure of organizational performance, which at first appears to be in direct contradiction with our above statement that INGO performance is a multidimensional concept that cannot be expressed simply in terms of money. We chose to focus on financial indicators for two main reasons. First, financial sustainability appears to be temporally prior to mission-related activities. INGOs are foremost organizations and therefore need money to survive before they can accomplish their mission. With the number of INGOs increasing exponentially and the advent of short-term donor contracts, the competition that is created in the sector often leads to material incentives becoming more pressing than the normative incentives for which INGOs had been created in the first place (Cooley & Ron, 2002; Mendelson & Glenn, 2002; Bob, 2005; Johnson & Prakash, 2007). Second, we hope that this paper will become part of a larger project studying the impact of the adoption of corporate norms on various aspects of NGO performance. Studying funding success and mission success separately will allow us to examine whether the adoption of corporate norms can lead to better performance in one area, but be counter-productive in other areas because of contradicting external demands (Pfeffer & Salancik, 1978; Brown & Moore, 2001).

To measure the financial performance of our case studies, we use the financial data provided in their annual reports and forms 990. For each year, we collect information on total revenues, revenues by funding sources, and associated percentages. We also intend to use more specific information regarding the number of grants applied for, number and amounts of grants/donations received, and who the donors are. If the number of grants that the two INGOs apply for increases from year to year, but they receive a similar number of grants, it could be an indication that the funding environment is becoming more competitive. Knowing who the donors are, especially institutional donors, is useful because we can track when funding from these institutions increased or decreased and find out what led to the movements. We rely on information from the organizations themselves, from the media, and from NGO watchgroups.

Theory and Financial Performance

Above, we presented what the three general theories of organizational change could tell us about organizational learning. But what can they tell us about financial performance? Figure 1 below summarizes each theory's expectations on 1) which actors transfer the norms to INGOs, 2) whether the INGO is more likely to copy or adapt, and 3) whether it should result in improved financial performance or not.

If resource dependence theory is correct, we expect to find that the adoption of best corporate practices by INGOs will result in stable or improved financial performance. Since major institutional donors demanded that the INGOs implement best corporate practices, it seems fair to assume that they would reward them for doing so. If institutionalism is correct, we expect to find that the adoption of best corporate practices by INGOs will result in stable or improved financial performance only if these practices are perceived as legitimate by donors. The impact on an INGO financial performance will depend on the corporate practice(s) adopted and on the identity of the donors.

Theories of internal conditions lead to various expectations. In situations of uncertainty, we expect to find that the adoption of best corporate practices by INGOs will result in stable or improved financial performance because it will help maintain the confidence of donors. We also expect that increased attention to procedural matters will result in stable or improved financial performance because institutional donors seem to put a lot more emphasis on procedures and data collection than on mission completion. In terms of board interlock, our expectations correspond to institutional expectations. Effectively, it could be argued that INGOs include corporate members on their board of directors for the same reason that corporations include representatives of financial institutions on their board: legitimacy. According to Mizruchi (1996), representatives of financial institutions appear on corporate boards notably because it makes financial institutions more willing to lend money to the corporation. The same rationale applies for INGO donors. The presence of major corporations on the board of directors of an INGO lends it legitimacy and credibility in the eyes of other potential donors. Some NGOs, like Environmental Defense Fund, do not accept donations from their corporate partners to maintain their independence. Based on that fact, it is possible that corporations represented on the INGO board do not contribute at all to the INGO budget. Yet one could argue that, regardless of the financial involvement of the institution or corporation in an INGO, the fact that they are represented on the board implies a positive evaluation of the INGO on their part and provides legitimacy to the organization. Therefore, the presence of corporate leaders on an INGO board of directors does not automatically mean that the INGO's financial performance will improve if it adopts best corporate practices. However, if it accepts donations from corporations, it is likely that adopting these practices will increase its legitimacy and thus potentially lead to an increase in funding. On the other hand, for an organization like Greenpeace, which has adopted a critical position vis-à-vis corporations throughout the years, both including corporate leaders on its board of directors and implementing best corporate practices (depending on the exact nature of the practices) might be perceived negatively and result in lower financial performance.

FIGURES 1 AND 2 ABOUT HERE

Based on figure 1, it seems that adopting corporate practices will often, in fact almost always, be profitable for INGOs in terms of financial performance. However, figure 2 shows a number of factors which can lead us to expect the financial performance of INGOs to worsen and not improve as a result of adopting corporate practices. In a discussion about organizational learning, Huber (1991: 89) explains that it is possible to learn about facts that are false. INGOs can make mistakes in recognizing corporate best practices and adopt strategies that will affect their financial performance negatively. They can also implement practices that are common and accepted in the private sector but are difficult to apply to the nonprofit sector because of the benevolent nature of NGOs. For instance, high executive pay and substantial severance packages and departure gifts are common among corporations, because it allows organizations to hire the best and brightest. Yet, when Elaine Chao, President of the United Way of America, was offered $292,500 as a departure gift (18 months of salary) after four years of her five-year contract, the situation caused uproar in the media and the nonprofit sector (Eisenberg, 2005). Another possibility is that organizational differences between INGOs and corporations may limit the applicability of corporate best practices to the sector in fundamental ways. For instance, if an INGO does not have a chief executive officer but a group of individuals at its head, they could pass the buck to one another, never taking the blame for mistakes, and thus undermine accountability mechanisms that work well in corporate settings where CEOs are present.

Also, as we highlighted in the introduction, adopting corporate best practices may be beneficial financially in the short run, but may adversely affect mission effectiveness in the longer run, thus leading to poor long-term financial performance and impaired survivability.

Methodology

In order to examine the transfer of best corporate practices to INGOs, we have selected two environmental non-governmental organizations that are recognized as INGOs in the *Yearbook of International Organizations* (UIA, 2008): Greenpeace and Environmental Defense Fund (EDF). Our study is limited to the activities of these organizations in the United States, so we focus on Greenpeace USA, not Greenpeace International. We are currently conducting semi-structured interviews with executives, staff members, and members of the boards of directors from both organizations as well as with experts from the Foundation Center, the Urban Institute, and the Aspen Institute. We also rely on official NGO documentation such as annual reports and on the news media. The news articles we use here have been retrieved using the Lexis-Nexis and Factiva databases or were available on the organizations' official websites.

The terms "corporate" and "business-like" have been used widely in the NGO and nonprofit literatures, especially in books and articles on NGO/nonprofit management, but are very rarely defined by scholars (see Dart (2004)). When the terms are defined, they mean very different things to different authors. For instance, Weisbrod (1998) focuses on the commercialization of the nonprofit sector. In that case, a nonprofit organization is considered to be business-like if it undertakes ancillary commercial activities. Parker (2003: 96), on the other hand, defines "business-like" as following the business model: "one where results are quantified and there is a high reliance on dollars in assessment of value." Here, for an NGO to be business-like means that it measures quantifiable as opposed to qualitative results. These two examples demonstrate the variation in understandings of the "corporate" or "business-like" concept. As a result, we deliberately chose not to impose our own definition of "corporate best practices" at the beginning of this project to understand what NGO leaders and staff perceive as corporate or business-like. One of our questions to each interviewee is "How do you interpret and respond to the assertion that 'NGOs should become more business-like'?" Our objective is to find out what the sector deems as corporate practice and best corporate practice and assess how these practices travel to NGOs if they do. Then, using process tracing, we evaluate whether we can find causal mechanisms between the adoption (or non-adpotion) of corporate best practices and an INGO's financial performance (George & Bennett, 2005).

Case Studies

Greenpeace USA and the Environmental Defense Fund are both large, widely recognized, environmental NGOs operating across the United States. Greenpeace USA has offices in Washington D.C. and San Francisco in addition to countless chapters around the country while EDF has offices in Austin, Boston, Boulder, Los Angeles, New York, Raleigh, Sacramento, San Francisco, and Washington D.C. Since we are interested in discovering how norms of "corporate best practices" travel to INGOs, we thought it would be valuable to use case studies that we would initially hypothesize to be very different, almost opposite. Because EDF works in close partnership with businesses and governments, it is very likely to adopt best corporate practices quickly and directly from these organizations. Greenpeace, which refuses donations from corporations and governments and is more often critical of corporations than enters in partnerships with them, would be more likely not to adopt best corporate practices or to adopt practices transferred from other actors in the system, such as other NGOs and consultants. If Greenpeace has effected similar changes as other NGOs which are dependent on corporations and government, it leaves us with a puzzle as to who diffused the practices and how.

Greenpeace USA

Greenpeace was founded in 1971. Greenpeace, Inc., the more activist and political branch of the organization, is registered under section 501(c)(4) of the Internal Revenue Code. Greenpeace Fund is registered as a tax-exempt charity under section 501(c)(3) of the Internal Revenue Code. According to its website, Greenpeace has more than 2.8 million supporters worldwide and works in 41 different countries. The board of directors of Greenpeace, Inc. is composed of three to nine members (currently nine) who are elected for a two-year term and can be re-elected for no more than three consecutive terms (Greenpeace USA, "Amended and Restated Bylaws of Greenpeace, Inc."). The board meets at least once a year. The board of directors of Greenpeace Fund is composed of three to seven members (currently five) who are elected for a three-year term and can be re-elected for no more than three consecutive terms (Greenpeace USA, "Amended and Restated Bylaws of Greenpeace Fund"). The board meets at least once a year. According to its annual report, the revenue of Greenpeace, Inc. for 2007/08 was of $20,315,560 ($21,095,586 in constant 2008 dollars) and that of Greenpeace Fund $40,002,715 ($41,538,639 in constant 2008 dollars). 75% of total contributions to Greenpeace, Inc. came from contributions and donations, 17% from Greenpeace Fund, 4% from Greenpeace International, and 4% from others (investment, licensing, royalties, etc.) (Greenpeace USA, 2008: 25). 21% of total contributions to Greenpeace Fund came from contributions and donations, 75% from grants, and 4% from investment returns (Greenpeace USA, 2008: 24). Charity Navigator, a watchdog agency, gives Greenpeace Fund a 4-star ranking (which "exceeds industry standards" with a total score of 60.98 out of 70) and the Better Business Bureau (BBB) has determined in its 2007 report that Greenpeace Fund meets its 20 Standards for Charity Accountability.[1] According to its website, Greenpeace "do[es] not solicit donations from corporations or governments" (Greenpeace USA website, "Greenpeace Fund").

Environmental Defense Fund

EDF was founded in 1967. It is registered as a tax-exempt charity under section 501(c)(3) of the Internal Revenue Code. It has more than 500,000 members in the United States. It works in the United States and China. The board of trustees of EDF is currently composed of 41 members and four honorary trustees. The operating revenue of EDF in 2008 was of $134,929,041. 51% of total contributions to the organization came from membership and contributions, 42% from foundations, 3% from government and other grants, 2% from miscellaneous and investment income, and 3% from bequests (EDF, 2008: 36-7). Charity Navigator gives EDF a 4-star ranking (score of 63.01 out of 70). Information for EDF has been provided to the Better Business Bureau (BBB) but the Bureau's report is not yet available. According to its website, EDF accepts donations from governments and from certain specific corporations. Donations from corporations whose actions are in direct contradiction with EDF's goals, who are in litigation with EDF, who are involved in a partnership with EDF, who would be beneficiaries of policies advocated by EDF or from corporations whose Standard Industrial Classification (SIC) code is listed on the website are not accepted by EDF. Furthermore, corporate donations cannot exceed three percent of EDF's annual operating budget (EDF website, "Corporate Donation Policy").

[1] For more information on the scoring method of Charity Navigator, please visit their Methodology section at http://www.charitynavigator.org/index.cfm/bay/content.view/catid/2/cpid/33.htm. For more information on BBB's Standards for Charity Accountability, please visit http://us.bbb.org/WWWRoot/SitePage.aspx?site=113&id=4dd040fd-08af-4dd2-aaa0-dcd66c1a17fc.

Preliminary Results

Since we are currently conducting interviews, we are not in a position to provide you with final results at this point. This section briefly examines the financial health of Greenpeace USA and Environmental Defense Fund, changes to their organizational structures in recent years, as well as a general perception of these organizations from media, "trade journals" (NGO watchgroups), and donors.

Funding

In terms of funding, so far the great majority of our information comes from both organizations' annual reports. Annual reports for Greenpeace USA from 2003 to 2007 and annual reports for EDF from 1997 (financial data for 1996 included) to 2008 are available on their respective official website. To facilitate year-to-year comparison, we use constant 2008 dollars as the measuring unit throughout this section.

Greenpeace, Inc. divides its sources of support and revenue into six categories: contributions and donations, grants from Greenpeace Fund, Inc., grants from Greenpeace International, licensing, royalties and merchandise sales, investment return, and net assets released from restrictions (appears only in 2007 so will not be discussed here). Its two major sources of funding are contributions and donations (between 70 and 85% of annual budget depending on the year) and grants from Greenpeace Fund (between 15 and 25%), with the four other categories providing between 4 and 8% of annual revenue together. The amount of funding received by Greenpeace, Inc. decreased steadily from 2003 ($21 million) to 2006 ($16 million), reverting to 2003 levels in 2007.

FIGURES 3 AND 4 ABOUT HERE

In dollars, contributions and donations to Greenpeace, Inc. decreased steadily from $17 million in 2003 to $11.5 million in 2006. In 2007, contributions and donations increased significantly to reach $15.8 million, between 2003 and 2004 levels. Yet contributions and donations account for between 72 and 83% of total support throughout the period. The decrease of almost 33% of contributions and donations in dollar terms between 2003 and 2006 was not reflected in the percentage of total funding that this source represents because it is such a great portion of Greenpeace, Inc.'s total revenue and was not replaced by other sources of funds. Interestingly, even if there was a substantial increase in contributions and donations in 2007, this is not reflected in the percentages (at 75%, 2007 is only slightly higher than the 72% achieved in 2006). This can be attributed to the addition of a new source of funding in the 2007-08 annual report, net assets released from restrictions, which accounted for 4.2% of 2007's revenue.

Grants from Greenpeace Fund were at their highest point at $4.2 million in 2003 then reached their lowest point at $3 million in 2004. In 2005, grants almost reverted to 2003 levels, but then decreased steadily until 2007 to $3.5 million. The pattern discernible when one examines the percentages of total revenue associated with Greenpeace Fund grants is fairly similar to the pattern in dollar amounts. However, because 2005 and 2006 were a low point in terms of contributions and donations, grants from Greenpeace Fund account for a higher percentage of total funding (23%) than they would have had contributions and donations remained stable.

Taking into consideration that licensing, royalties and merchandise sales and investment return, account for barely 0.5% of Greenpeace, Inc.' s total annual revenue, the last source of funding that we will discuss here is grants from Greenpeace International. Information about grants from Greenpeace International was unavailable in Greenpeace, Inc.'s annual reports prior to 2005. In dollars, grants remained stable in 2005 and 2006 at $661,000 and 641,000 respectively. 2007 saw a large increase of almost 30% in grants from Greenpeace International (approximately $831,000). In terms of percentages, however, grants from Greenpeace International accounted for a stable 4% of annual support and revenue throughout the period.

Greenpeace Fund divides its sources of support and revenue into four categories: contributions and donations, investment return, net assets released from restrictions, and grants. Usually, its major source of funding is contributions and donations (between 72% and 90% of annual budget prior to 2007). However, in 2007, grants constituted 75% of Greenpeace Fund's total support and contributions and donations only 20%. Investment return and net assets released from restrictions respectively provide approximately 4% and 6% or less of annual revenue. From 2003 to 2006, the amount of funding received by Greenpeace Fund remained fairly stable. Total support and revenue moved from $10 million in 2003, to $8 million in 2004 and 2005, and $12 million in 2006. In 2007, total support and revenue more than tripled to $41.5 million because of exceptional grant amounts.

FIGURE 5 AND 6 ABOUT HERE

In dollars, contributions and donations to Greenpeace Fund decreased steadily from $9 million in 2003 to $6.9 million in 2005. In 2006, they almost reached 2003 levels again and then decreased slightly in 2007. As a percentage of total support and revenue, the category of contributions and donations was stable for 2003 (87.5%) and 2004 (90%), then decreased to 84% in 2005, 72% in 2006, and 21% in 2007. As mentioned above, the low percentage for 2007 is due to an exceptional amount of grants being received that year. If we compare contributions and donations for Greenpeace, Inc. and Greenpeace Fund, we notice that both were experiencing decline in contributions and donations from 2003. Yet, 2006 marked the lowest point for Greenpeace, Inc. and a return to 2003 levels for Greenpeace Fund.

Grants to Greenpeace Fund decreased from $1.1 million in 2003 to $439,000 in 2004 and then increased until 2007 ($850,000 in 2005, $2.2 million in 2006, and an exceptional $31.1 million in 2007). The percentages here reflect the dollar amounts fairly precisely. Percentages shifted from 10.6% in 2003 to 5.5% in 2004, 10.3% in 2005, 18% in 2006, and 75% in 2007. Interestingly, although lower grant amounts to Greenpeace Fund in 2004 corresponded to lower grants from Greenpeace Fund to Greenpeace, Inc., the reverse was not true when grants to Greenpeace Fund increased abruptly in 2007. One potential explanation for this difference is that, Greenpeace Fund being a charitable organization (501(c)(3)), the grants it receives are reserved for educational purposes while Greenpeace, Inc. (501(c)(4)) can conduct political and advocacy activities without an educational component. Therefore, when Greenpeace Fund receives less money, it will logically decrease its grants to Greenpeace, Inc. However, when it receives more funds, it might not be able to fund more Greenpeace, Inc. educational activities than it currently does.

Investment return increased from 2003 ($192,000) to 2004 ($338,000), then decreased slightly in 2005 ($300,000) and increased again in 2006 ($490,000). In 2007, it reached $1.7 million, almost three and a half times the 2006 amount. Nevertheless, investment return percentage remained around 4% of total support for most of the period, the exception being 2003 at approximately 2%. The pattern of investment return was understandably very similar to the pattern observed with Greenpeace, Inc. investment return. Data on net assets released from restrictions was not available for 2003 and 2004. In 2005, $165,000 came from assets released.

The amount increased more than fourfold to $735,000 in 2006, but was zero in 2007. The corresponding percentages were 2% of total support in 2005 and 6% in 2006.

The major issue with the Greenpeace data as of now is that we need financial data for additional years in order to be able to find larger patterns in Greenpeace USA's funding.

Environmental Defense Fund divides its sources of operating support and revenue into five categories: membership and contributions, foundation grants, government and other grants, miscellaneous and investment income (interest and allocated investment income, awarded attorneys' fees, and fees, royalties and other income), and bequests. Its two major sources of funding are membership and contributions (between 45 and 70% of annual budget depending on the year) and foundation grants (between 20 and 40%), with the three other categories each providing approximately 10% or less of the annual operating budget. From 1996 to 2008, the amount of funding received by EDF increased steadily and substantially. Total operating support and revenue in 1996 equalled $31,967,770 (in constant 2008 dollars), less than 25% of the total operating support and revenue for 2008.

FIGURES 7 AND 8 ABOUT HERE

In dollars, membership and contributions have increased significantly since 1996 (from 16 to 69 million dollars). They seemed to experience a slowdown in 2003 and 2004, but started increasing again in 2005. However, considering that total funding has also experienced a high level of growth, the category of membership and contributions as a percentage of total operating support and revenue has not increased as much. In 1996, membership and contributions accounted for 52% of total funding. It increased steadily between 1996 and 2002, reaching a peak at 67% and then went back down to 55% by 2005. It reached its two highest percentages in 2006 and 2007, with 68 and 69% respectively, and then decreased to 51% in 2008. The low 2008 percentage can be attributed to large increases in foundation and government and other grants. All else equal, the 2008 percentage should have remained fairly similar to the two previous years considering that the amount of money received in membership and contributions had increased from 2007.

If we do not take years 2005 and 2008 into consideration because of their exceptional results, foundation grants a little more than doubled in dollar terms between 1996 and 2007. We noticed three waves of increase in foundation grants, from 1998 (10.7 million) to 2001 (16 million), 2002 (11.7 million) to 2005 (28.1 million), and 2006 (17.1 million) to 2008 (56 million). More data might indicate a previous wave peaking in 1997. In terms of percentages, however, the three waves are harder to distinguish. Effectively, there was a peak in 1997 at almost 34% of total operating support and revenue. The period from 1998 to 2001 was fairly stable with 2001 slightly higher than previous years. The period from 2002 to 2005 is the clearest wave, with percentages increasing steadily from 22 to 37%. Percentages for 2007 (21%) and 2008 (42%) do not reflect the increases in funding apparent when we compare dollar amounts.

Government and other grants decreased steadily between 1996 and 2000, increased slightly in 2001 and then reached their lowest point at 327,000 dollars in 2002. They started increasing again, reaching a small peak at 1.1 million in 2005 and then a very large peak at 3.4 million in 2008. Interestingly, the high points we identified for foundation grants (2001, 2005, 2008), with the exception of 1997, also constitute high points for government and other grants. The percentages here reflect the dollar amounts fairly precisely. There is a clear decrease from

1996 to 2000 (from 5.4% of total funding to 1.4%), followed by a slight increase in 2001 (1.6%) and a low point in 2002 (0.6%). The two peaks of 2005 and 2008 are also clearly present.

The category miscellaneous and investment income remained fairly stable around three million dollars from 1996 to 2002. It experienced a relatively sharp drop to 2.3 million in 2003 and stayed in that area until 2006, when it reverted back to its previous level. At 2.7 million dollars, 2007 and 2008 are slightly lower, but still not as low as in the 2003-05 period. Because of the relative stability of dollar amounts of miscellaneous and investment income throughout the years, it is safe to say that the percentage of total operating support and revenue of this category is decreasing steadily. Years 2002, 2006, and 2007 represent small exceptions.

Finally, we turn to bequests. Starting at 1.5 million dollars in 1996, amounts received in bequests by EDF increased until they reached a plateau of 3.8 million in 1998-99 and then decreased to 1.9 million in 2001. Then, they increased slowly until 2006, experienced a sharp increase in 2007, and reverted back to 2006 levels in 2008. Bequests represent between three and six percent of total funding almost every year with the exception of 1998 and 1999 (which were the years with the highest dollar amounts until 2007) and 2008, in which other types of funding increased significantly.

This section demonstrates that Greenpeace USA and EDF depend on different sources of funding to different extents and that there has been variation in both their levels of funding throughout the years. What we are interested in determining is whether the patterns that we have seen here are patterns that can be generalized to the larger environmental sector or nonprofit sector as a whole or whether it is particular to these organizations and the practices they implemented in previous years.

Organizational Structure

- Basics of both organizations
- Basics of management and leadership
- Board of directors
- Recent changes in organizational structure

Perception of the Case Studies

- Media
- NGO watchgroups
- Donors

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Figure 1 – Summary of Expectations based on Organizational Change Theories

	Actors Transferring the Norms	**Copy vs. Adapt**	**Financial Performance**
Resource Dependence	Major institutional donors	Copy	Stable/Improve – especially institutional donors
Institutionalism	Major donors; other NGOs; consultants; professionals; corporations; other organizations in same organizational field	Adapt	Depends – Are norms perceived as legitimate by donors?
Internal Conditions			
Uncertainty	Consultants; staff	Copy	Stable/Improve – Increases donor confidence
Goals/Procedures	Consultants; staff	Unclear	Stable/Improve – especially institutional donors
Board Interlock	Corporate leaders on INGO board	Unclear	Depends – Can increase legitimacy but risk of negative perception by public

Figure 2 – Summary of Factors Expected to Lead to Lower Financial Performance

- Mistakes in identifying corporate best practices
- Practices that are common in for-profit sector but are not perceived as acceptable for nonprofit organizations because of benevolent nature of NGOs
- Fundamental organizational differences across the private and nonprofit sectors
- Short-term focus on financial performance undermining performance on mission and thus affecting long-term financial performance negatively

Figure 3 – Greenpeace Inc.'s Sources of Support and Revenue 2003-2007 (Constant 2008 Dollars)

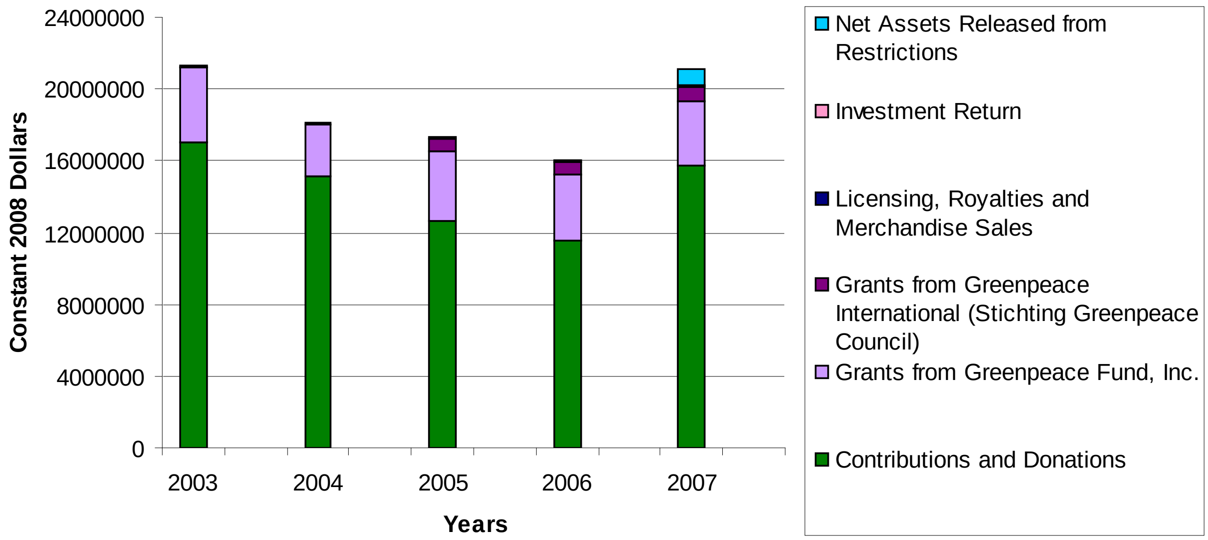

Figure 4 – Greenpeace Inc.'s Sources of Support and Revenue 2003-2007 as Percentages

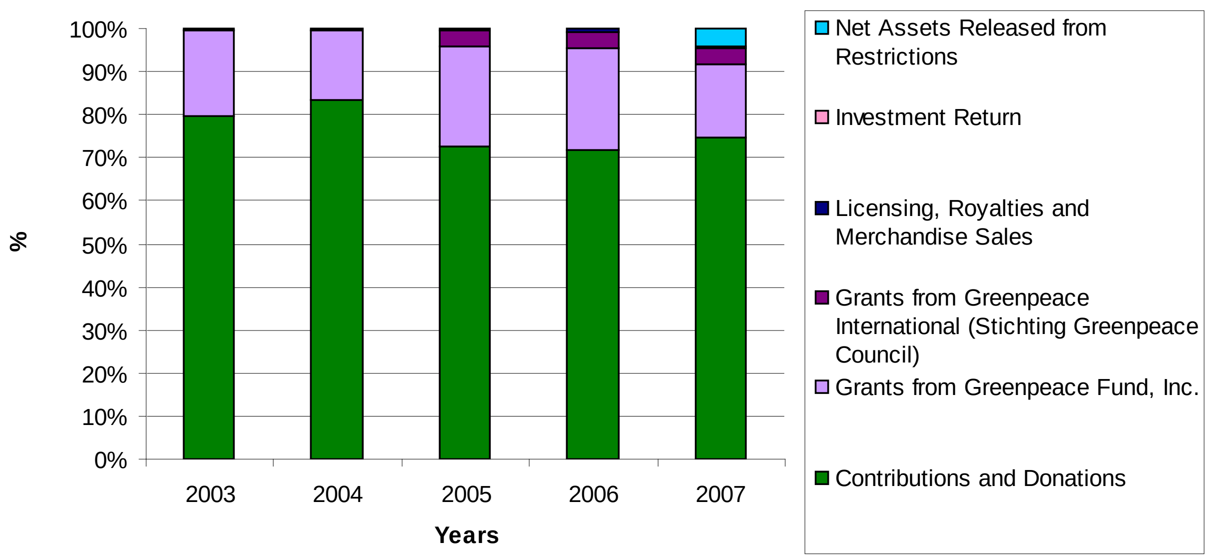

Figure 5 – Greenpeace Fund's Sources of Support and Revenue 2003-2007 (Constant 2008 Dollars)

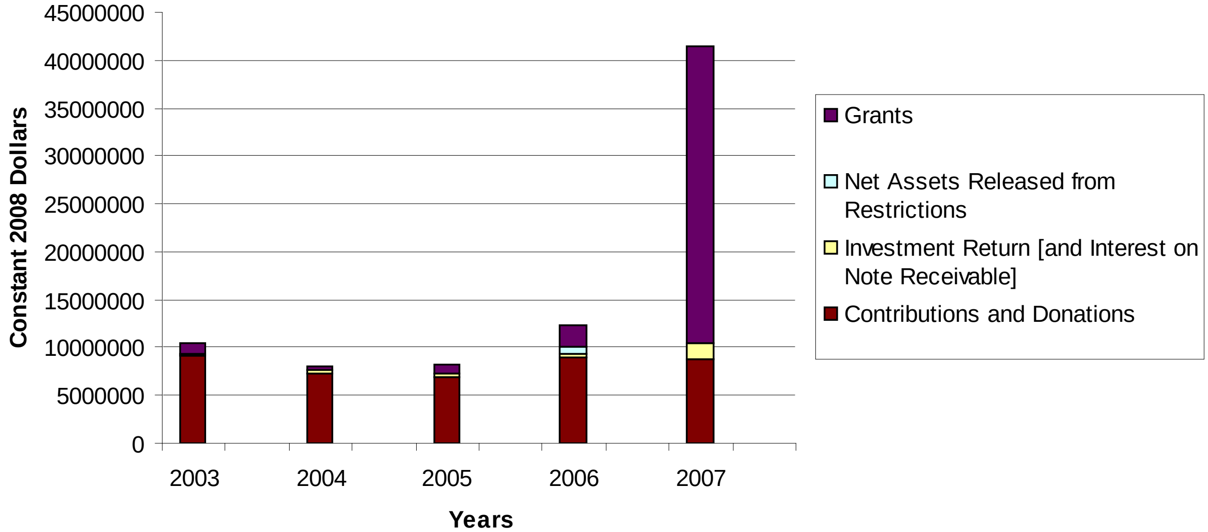

Figure 6 – Greenpeace Fund's Sources of Support and Revenue 2003-2007 as Percentages

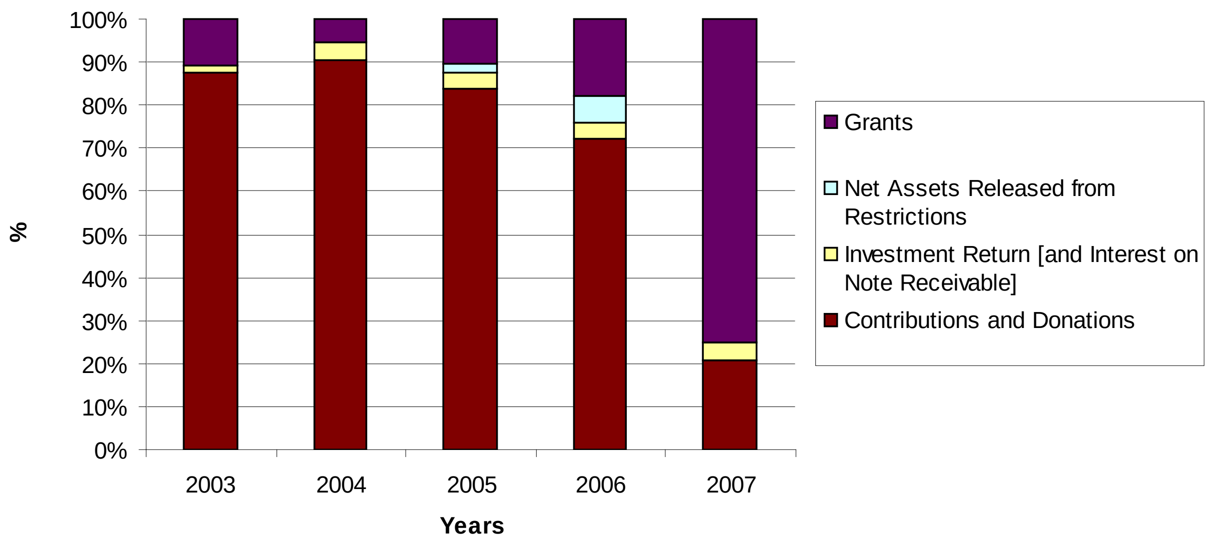

Figure 7 – EDF's Sources of Operating Support and Revenue 1996-2008 (Constant 2008 Dollars)

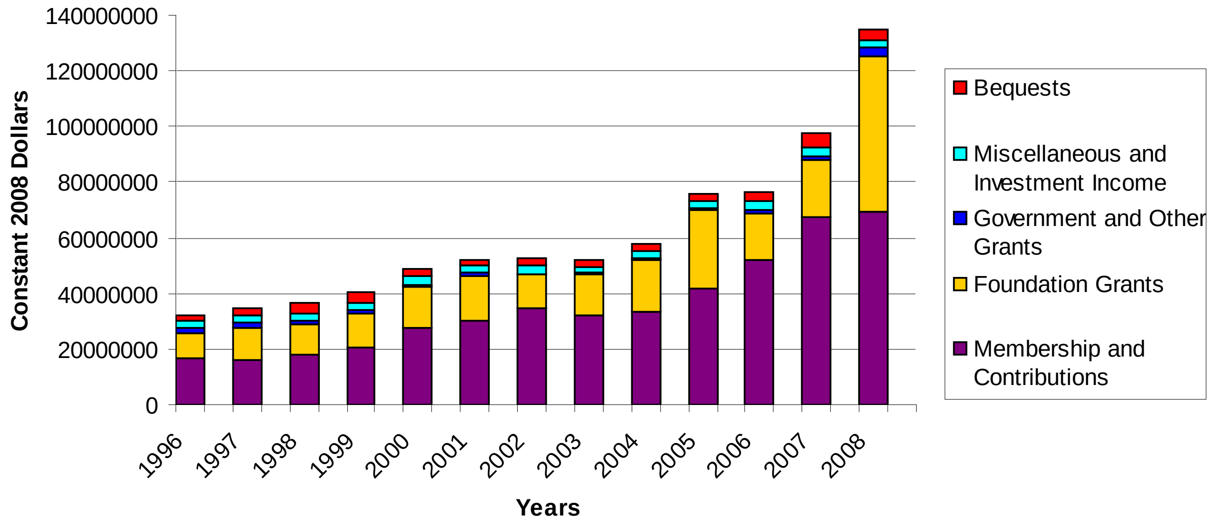

Figure 8 – EDF's Sources of Operating Support and Revenue 1996-2008 as Percentages