

THE STAGES OF NONPROFIT ADVOCACY

A Dissertation

by

JILL DENISE NICHOLSON-CROTTY

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

December 2005

Major Subject: Political Science

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ABSTRACT

The Stages of Nonprofit Advocacy. (December 2005)

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This dissertation argues that advocacy is a two-stage decision in which organizations must first decide whether or not to undertake political activity through advocacy or lobbying and then choose between the set of strategic actions that, based on available financial and human resources, are available to them. These are separate decisions with separate constraints. The decision to advocate is a strategic stance taken by nonprofit organizations in policy environments that necessitate such activity and in which it is politically conducive for them to undertake the cost of such actions. Once an organization has decided that it will undertake advocacy activities, it must determine the specific activities, collaboration, grassroots advocacy, or direct lobbying, that will help it to pursue that course most effectively.

These hypotheses are tested in an analysis of the advocacy activities of over 500 nonprofit reproductive health service providers. Data for this study were gathered from the National Center for Charitable Statistics within the Urban Institute and directly from IRS Form 990s filed by the organizations. The findings suggest that there are strong and consistent relationships between policy and politics and the political activity of nonprofit service providers. In states with more restrictive reproductive health policy environments, nonprofit organizations that provide these services are more likely to

engage in advocacy activity. The findings also suggest that, even when controlling for the policy environment, 501(c)(3)s are more likely to become politically active in states where they have a larger number of political allies. Additional analyses suggest that there is a negative relationship between government monies and the aggressiveness of advocacy and the use of multiple advocacy strategies. Interestingly, this finding is consistent with the expectations offered in the resource dependence literature and the results suggest only a tenuous relationship between institutional variables and decisions regarding organizational aggressiveness in the choice of advocacy strategies.

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CHAPTER I

INTRODUCTION

Puzzle and Research Questions

Groups classified by the Internal Revenue Service as 501(c)(3) organizations constitute what we traditionally think of as public charities. Contributions to these organizations are tax deductible because they have as their primary mission the delivery of services and support to citizens who are typically underserved by government and the market. In recent years, however, scholars of the voluntary and nonprofit sector have become increasingly interested in the instances when these organizations engage in advocacy, or overt political behavior, on behalf of their clients. The growing scholarly interest in those instances when 501(c)(3)s advocate is largely the result of a recognition that these organizations often provide the only access to the political process for traditionally disenfranchised groups and have a substantive impact on the policy debate.

Nonprofit organizations fill the widening gap between the needs of citizens and the resources available from government and the private sector, but they also play another key role in democratic societies. If and when charities become involved in the political process, they are representing a set of constituents that are among the most economically vulnerable and politically inefficacious groups in society (Berry 2003). These groups do not usually have the sophistication to understand their political options or the power to influence lawmakers directly. Additionally, they are not citizens who are

This dissertation follows the style of the *American Journal of Political Science*.

typically mobilized by traditional membership organizations (Boris and Krehely 2002). Scholars suggest that this representation function may be one of the most important, but least well understood, roles played by the third sector in this country.

Prior research suggests that politically active nonprofit organizations provide substantive as well as symbolic policy benefits to clients. In other words, when charities advocate, they not only give a political voice to traditionally disenfranchised groups. They also influence the policy debate in meaningful ways. Studies of both national and state legislatures indicate that aggressive and well funded 501(c)(3) organizations can command the attention of lawmakers (Berry 2003; Petrescu 2002). More importantly, the policy record indicates that the preferences of these groups (and their clients) are reflected in policy outputs. To name but a few examples, 501(c)(3) organizations were instrumental in getting the price of cigarettes increased in numerous states, compelled state lawmakers to change policies about the dissemination of reproductive health services in conservative states, and had a significant impact on local policies regarding violence against women and the battle against AIDS/HIV (American Cancer Society 2004; Planned Parenthood Federation of America 1991; Minkoff 2002).

Despite the important symbolic and substantive benefits of political activity by nonprofit organizations, recent evidence suggests that a relatively limited number of charities actively advocate. In a recent survey, only 19% of traditional 501(c)(3) nonprofit organizations claimed to be highly active testifying at legislative hearings or lobbying elected officials. Just over 30% claimed a high level of activity releasing reports to the media, educating citizens about policy, or encouraging citizens to sign

petitions or contact representatives (Berry 2003). The survey also indicates that charities which advocate often limit themselves to just one or two of the tactics available to them. Sixty percent of politically active NPOs limit their activity to affiliation with more traditional lobbying groups. A considerably smaller percentage participates in grass-roots activities designed to change public opinion or attempts to directly influence policy by lobbying legislators (See Berry 2003). A marked minority of politically active groups (14%) count all of these activities among their repertoire of tactics.

The fact that the scope of 501(c)(3) advocacy is relatively small despite the benefits that such activities bestow on clients has led many observers to ask why so few nonprofit organizations actively advocate on behalf of clients. As we shall see in the next chapter, authors have identified numerous constraints on the advocacy function in response to this question. They have focused on the growth in government/third sector partnerships and the resultant dependence of many NPOs on government funding as an explanation (Wolch 1990; Kramer 1985). They have also emphasized the institutional characteristics of nonprofit charities, which often make them hesitant to engage in political activity.

Finally, scholars have emphasized the restrictions placed on NPO political activity by the existing tax code and the resultant ways nonprofit administrators perceive the potential costs of advocacy (Hopkins 1992; Berry, 2003: 41). The existing tax code does not prohibit political activity, but it does limit the type and quantity of such activity that an organization can engage in if it wants to retain its tax exempt status. 501(c)(3) organizations, to whom contributions are tax deductible, are prohibited from

participating in openly partisan activities such as endorsement of candidates, but they can attempt to influence public policy and opinion so long as spending on such activities remains below percentages of tax exempt revenue set by Congress (Hopkins 1992).

Although certain political activities are legal under the current tax code, scholars suggest that there is, nonetheless, a “fear factor” surrounding advocacy (Berry, 2003: 41). “Leaders of Washington-based organizations that promote nonprofits and offer training to nonprofit executives on government relations...heard a familiar story from nonprofit directors who indicated that they were afraid of doing anything that could result in the loss of their tax deductibility” (Berry, 2003: 41). These nonprofit leaders realized that the tax code allowed for considerably more advocacy than the “rank-and-file executive directors believed,” however, “they realized that the perception of the law could be far more influential than the letter of the law” (Berry, 2003: 41). Berry (2003) argues that executive directors of nonprofit service organizations *perceive* advocacy activity to be a threat to their tax exempt status as 501(c)(3) organizations. Because that exempt status is crucial to their ability to raise money, and ultimately to their survival, many of these organizations choose not to advocate or not to advocate aggressively rather than risk losing their exemption (Berry 2003; See also Wolch 1990; Kramer 1985). In other words, these organizations respond to a powerful disincentive to lobby created by the tax code.

So, while the existing literature on nonprofit advocacy may have adequately explained why so few charities are actively political, it has ignored a related and in some ways more foundational question. Namely, when do those organizations who become

politically active decide that the benefits to clients are great enough to justify the risks associated with advocacy? In other words, what motivates some individual charities to advocate despite documented constraints? The benefits to clients discussed above certainly offer a general answer to that question, but they do not allow for a specific empirical prediction concerning which NPOs will advocate and when.

Assuming that the decision to engage in the policy debate is not one that these groups make lightly, a related question emerges. Namely, how do 501(c)(3) organizations choose among the tactics that they might employ in pursuit of the potentially costly goal of changing public policy? The literature on traditional interest groups suggests that these organizations are most effective when they employ a broad repertoire of strategies, rather than focusing on a more limited set of activities. Yet, research suggests that politically active charities often do the latter, with few organizations availing themselves of all available strategies. So, we are left with the question, what is it that constrains the choices that 501(c)(3) organizations make among advocacy activities?

Shortcomings in the Existing Literature

There exists a small but growing literature on the advocacy activities of nonprofit service providers. Authors have described trends in political activity among charities and provided a general outline of the scope and scale of these activities (Kramer 1994; Smith and Lipsky 1993; Wolch 1990; Salamon 1995; Sosin 1986; Boris and Krehely 2002). Scholars have attempted to explain the limited amount of political activity among charities. Speaking generally, these studies identify the tax code, funding diversity or

dependence, institutional structures and processes, and organizational capacity as the primary reasons why some 501(c)(3)s choose not to advocate.

Although existing studies provide a foundation for the analysis of NPO advocacy, I argue that they do not satisfactorily answer the question posed above because of several key shortcomings. First, advocacy activity by 501(c)(3)s is clearly intended to change policy in one fashion or another, yet existent studies do not treat the policy environment of these organizations as a key explanatory factor. A focus on the policy environment, I suggest, offers insight into *why* and *when* NPOs advocate, which we can add to existing knowledge concerning why they mostly do not.

Finally, the existing literature, the tax code, and practitioner responses all suggest that there are a variety of strategies from which politically active nonprofits might choose. No study to date, however, has attempted to systematically understand the factors that influence the choice among these. Treating “advocacy” as a multifaceted, rather than a monolithic, activity should contribute to a more nuanced understanding of the ways in which charities fulfill their advocacy role.

A Theory of Why and How 501(c)(3)s Advocate

To address these shortcomings, this dissertation offers an alternative to existing explanations for nonprofit advocacy that focuses on the causes for, as well as the constraints on, this behavior. The theoretical framework incorporates the insights from past scholarship regarding the challenges facing charities that wish to become politically active, but also draws on other theoretical perspectives to develop expectations about how NPOs respond to their environments and make use of available resources.

Specifically, I argue that the decision to advocate is a strategic response to conditions in the policy environment in which NPOs deliver services, and that the content and character of that response are highly constrained by available resources.

The theoretical framework for this dissertation draws heavily on open systems theories and theories of organizational strategy to develop the argument that NPOs set strategic goals in response to specific elements in the broader organizational environment. It relies on previous scholarship and the testimony of nonprofit managers to defend the assertion that existing public policy, those actions by government that constrain or facilitate the delivery of services, should be considered the key element that motivates the strategic choice to become politically active.

Once an organization has made the choice to become politically active, it must select a set of tactics that it will use to pursue the goal of changing policy. This is the second crucial component of the advocacy equation. The framework for this dissertation draws from the literature on Social Movement Organizations, as well as research on the importance of slack resources in organizations, to develop expectations about the factors that influence 501(c)(3)s' choices among advocacy tactics. Specifically, it suggests that the number and type of strategies employed by a politically active NPO depend heavily on the level and nature of the human and financial resources that it possesses.

Research Design for the Dissertation

The unit of analysis in this study is the organization, and the models herein analyze the 501(c)(3) pro-choice reproductive health/family planning service providers that generate over \$25,000 in annual revenue. I model the decision to advocate and the

choice among advocacy strategies by these groups as functions of the *state-level* political environment in which they deliver services and the organizational resources that they possess. Data on advocacy activities and organizational characteristics of family planning NPOs are drawn from tax records and a rich, but relatively under-utilized, dataset compiled by the National Center for Charitable Statistics. Finally, I test expectations about the decision to advocate and the choice of advocacy strategies using a quasi-experimental design.

Because I argue that advocacy is a response to the policy environment, it is necessary to identify the specific policies that an NPO is concerned with. This necessitates the study of a specific type of provider to facilitate the identification of such policies, and I have chosen reproductive health/family planning providers for several reasons. First, because of the nature services they deliver, these organizations are often the focus of policymakers—both positive and negative. Thus, the actions of government are salient to these organizations. Additionally, I have chosen reproductive health/family planning organizations because they share environmental and organizational characteristics with other NPO service providers.

I focus on the state-level political environment for a variety of reasons. First, state-level policies have the most meaningful impact on the ability of reproductive health providers to effectively serve clients (McFarlane and Meier 2001). Second, the literature on nonprofit advocacy argues that these groups focus a great deal of energy on state-level policies because of their perceived efficacy at this level (Berry 2003; Boris and Krehely 2002). Finally, I choose to focus on state-level policy environments because of

their variability. Federal statutes limiting the delivery of reproductive health services affect service providers across the nation uniformly. Alternatively, states vary dramatically in the degree to which they restrict or facilitate the ability of reproductive health/family planning providers to deliver services. This variation is vital to testing for a relationship between policy and advocacy activities designed to change policy.

The data for analyses of the decision to advocate and the choice among advocacy strategies by 501(c)(3) organizations are gathered from the National Center for Charitable Statistics for 2001. The National Center for Charitable Statistics (NCCS) is the national repository of data on nonprofit organizations in the United States. Its *Core Files* and *Digitized Data*, which are the primary datasets used herein, are produced annually and compiled from information that nonprofit organizations report to the IRS, primarily on IRS Form 990 and Form 990's Schedule A. These datasets contain extensive information on the advocacy expenditures of all NPOs that generate over \$25,000 in revenue each year, as well as data on expenditure categories, revenue sources and totals, and monetary debt and other obligations. Scholars suggest that these data are well suited to the study of nonprofit advocacy (Krehely 2001). There are, however, some limitations to this data which will be thoroughly examined in subsequent chapters.

These data and the variability in the policy environments of reproductive health/family planning 501(c)(3)s delivering services in different states allow for the use of a relatively strong research design. Previous studies of 501(c)(3) advocacy have employed primarily descriptive and exploratory designs that do not allow for inference to organizations outside the sample and do not control sufficiently for competing

explanations. This study will take advantage of the natural laboratory provided by the states for the study of advocacy. The analyses in Chapter IV will hold key sets of variables constant to discern whether NPOs that have similar resources and organizational characteristics vary in their probability of being politically active depending on the policy environment in which they deliver services. Chapter V will use a similar design to determine whether organizations delivering services in the same policy environment make different choices about tactics depending on the varying resources that they possess.

Outline of the Dissertation

The remainder of the dissertation will pursue the argument outlined in this introduction in the following fashion. Chapter II will review the existing literature on nonprofit organizations and advocacy, highlighting both its shortcomings and its usefulness for this project. It will also develop the theoretical argument that advocacy is a strategic response to the policy environment, the nature of which is constrained by organizational resources.

Chapter III will offer a much expanded version of the research design presented in this chapter. The chapter will discuss and defend the advantages of the research design, as well as the use of reproductive health/family planning organizations in this study. It will also provide extensive information on the data collected by the National Center for Charitable Statistics and its usefulness in studying the advocacy activities of nonprofit organizations.

Chapter IV is the first empirical chapter, and it offers tests for the effect of the policy and political environments on the decision to advocate by 501(c)(3) organizations. This chapter will summarize the reproductive health/family planning policy environments in the American states in an effort to clarify the political as well as policy issues that these nonprofit providers face. 501(c)(3) organizations delivering family planning and reproductive health services face a remarkably complex web of policies that both limit and facilitate their ability to serve clients. The chapter will describe the nature of these individual policies to give the reader a general conception of the policy environment. It will also introduce and describe a specific measure of environmental hostility/support based on the existence of policies targeting reproductive health family planning services. Finally, the chapter tests expectations regarding the impact of the policy environment against a model drawn from the existing literature, which emphasizes institutional characteristics and resource dependence as the primary determinants of advocacy. It does so in an analysis of the advocacy activity of all pro-choice reproductive health/family planning 501(c)(3) organizations between 1998 and 2001.

Chapter V moves beyond the initial decision to advocate and addresses the choice among advocacy tactics by 501(c)(3) organizations. Before testing for the factors that influence these choices, the chapter explores, in depth, the advocacy strategies available to nonprofit organizations. These include collaboration with 501(c)(4) organizations/traditional interest groups, grassroots advocacy activities, and direct lobbying, each of which has financial and social costs associated with it. The chapter

operationalizes factors such as organizational slack, administrative capacity, and resource dependency, which theory suggests should affect NPOs' decisions regarding whether or not they are able to bear these costs. Finally, it will test for the impact of these variables, as well as other relevant controls, on dependent variables measuring both the type and number of tactics included in a given organization's advocacy portfolio.

Definitions

This section provides definitions for terminology that appears throughout the dissertation. First, when I speak of nonprofit service providers or family planning/reproductive health providers, I am referring only to those organizations classified by the Internal Revenue Service as 501(c)(3) organizations. These are organizations whose primary mission is service delivery and not lobbying, and whose advocacy activity is, therefore, closely monitored and regulated by the federal government. Organizations that are classified as 501 (c)(3) charities, which include religious, scientific, education, and literary organizations, are considered public benefit organizations or charities and cannot spend more than twenty percent of tax exempt contributions on advocacy activities. The tax code does, however, allow unrestricted affiliations with 501 (c)(4) organizations for the purpose of engaging in political and lobbying activity.

In this study, I examine only those 501 (c)(3) reproductive health service providers that cannot be explicitly identified as pro-life organizations. The method for identifying these organizations and the repercussions for the findings that arise from the

potential inclusion of a limited number of pro-life organizations in the sample will be discussed in Chapters III and IV.

Generally speaking, I define advocacy, as do most other scholars in this area, as the public expression and representation of interests and concerns, which focuses on changing policies and securing collective goods (Jenkins 1987; Salamon 1994; Berry 2003). I also draw distinctions, however, between the different advocacy strategies that groups might pursue, including grassroots lobbying, directly lobbying government, or collaboration with overtly political groups. I rely heavily on Reid (1999) for the following definitions of the latter strategies.

Grassroots lobbying is an attempt to influence policy by changing public opinion and includes the dissemination of political materials and activities designed to garner public support. Alternatively, direct lobbying activities are targeted at city, state, and national elected officials in an effort to compel them to take actions that benefit the client groups of the nonprofit organizations. Finally, collaboration is defined as mutual agreements and exchanges of aid between service providers and organizations with similar missions or with missions targeted at protecting and benefiting the clients that the NPO serves. This activity often includes affiliating with 501 (c)(4) organizations, which are allowed to participate in direct lobbying without limitation.

The final terms that are to be defined here are risk and uncertainty. This chapter has introduced the idea that political activity poses at least a perceived risk to the survival of 501(c)(3) organizations. In this study, risk is defined as the degree to which an activity has a nontrivial probability of producing a state of the world which the

organization considers worse than the status quo. Although advocacy is intended to improve the delivery of services by improving the policy environment, it may result in the loss of tax exempt status or have other consequences which instead detract from the organization's ability to deliver services.

Subsequent chapters will make the argument that there is also considerable uncertainty that accompanies advocacy activities by 501(c)(3)s. I define uncertainty as the degree to which the organization cannot accurately ascribe with certainty the probability of the potential outcome of an action. Again relating this to the specific context herein, nonprofit organizations may undertake significant lobbying without being able to accurately predict the potential change in legislative behavior. Similarly, it is arguable that nonprofit organizations will have a difficult time predicting the change in public opinion that may arise from grassroots advocacy activities.

CHAPTER II

LITERATURE AND THEORY DEVELOPMENT

The previous chapter suggested two questions concerning advocacy by 501(c)(3) organizations. Namely, what are the factors that motivate these groups to become politically active despite existing constraints and what are the organizational and policy environment characteristics that correlate with the choice of different advocacy tactics? To begin answering these questions, this chapter will first review the existing literature on nonprofit advocacy.

Scholars from almost all of the social sciences have studied the roles played by nonprofit organizations. The study of nonprofit advocacy has been relatively limited when compared to the burgeoning scholarship on other components of the third sector, but it has also been undertaken in a variety of scholarly disciplines and from a variety of theoretical perspectives. The first section of this review will focus on scholarship primarily by public administration scholars, sociologists, and economists. The second section will focus first on the limited body of work found in political science.

Along with reviewing previous scholarship, the purpose of this chapter is to highlight the omissions in the literature on nonprofit advocacy that leave it unable to satisfactorily answer the questions posed at the outset of this dissertation. The final section of this chapter will offer a framework for studying nonprofit advocacy that addresses these omissions and provides a more detailed and comprehensive picture of this important activity.

Literature Review

Numerous scholars from sociology, public administration, and economics have investigated nonprofit advocacy without explicitly asking the question, what motivates NPOs to advocate. Scholars have debated whether the level of activity is increasing or decreasing over time (Kramer 1994; Smith and Lipsky 1993; Wolch 1990; Salamon 1995; Sosin 1986). They have provided a general outline of the scope and scale of these activities (Boris and Krehely 2002) and documented the complex legal framework within which advocacy takes place (Hopkins 1992). Finally, they have investigated the effects of advocacy on policymaker perceptions (Petrescu 2002).

Of primary concern for this dissertation, however, are those scholars who have explored the motivations for and the constraints on nonprofit advocacy. Although such classification schemes are always somewhat simplistic, for the sake of parsimony the existing literature can be divided into roughly three categories.¹ These include studies that identify advocacy as a “strategic choice” made by NPOs, those that explore the “institutional” correlates of advocacy activity, and those that focus on the importance of organizational resources in the advocacy decision. As I will demonstrate, much of this research offers largely apolitical explanations for the decisions of NPOs regarding political activity and treats “advocacy” as a monolithic strategy.

A strategic choice perspective on nonprofit advocacy assumes that these organizations are capable of adapting to and altering events in the external environment (Ansoff 1979; Koteen, 1989: 108-109; Ring, 1989: 67). This perspective relies heavily

¹ This schema applies primarily to those studies produced by scholars in sociology, economics, and public affairs.

on organizational leadership as a primary explanatory factor for organizational decisions concerning advocacy. If organizations do not advocate, it is because the failure of managers to align internal capabilities with external forces leaves them unable to counter environmental threats and exploit environmental opportunities (Hay 1990; Ring 1989).

Successful strategic response to environmental conditions can take several forms. Authors suggest that organizations can, to a certain degree, select their environment (Miles 1982). They can also modify internal structures to better suit environmental demands (Kearns and Scarpino 1994). Finally, strategic choice theorists suggest that organizations can adopt externally oriented strategies that help them to stabilize relationships in constantly changing environments (Koteen 1989).

While they offer an intuitively appealing way to think about nonprofit political activity, studies employing a strategic choice perspective offer little guidance for accurately *predicting* advocacy among 501(c)(3) organizations. First, they offer few explanations for advocacy activity beyond “leadership capacity,” which is highly contextual and difficult to measure reliably across multiple organizations. Similarly, strategic choice theory emphasizes environmental change as a motivator for advocacy, but studies employing this perspective are unclear regarding specific occurrences in the environment that create the impetus for political activity and the specific decision processes that nonprofit managers employ when assessing cues from their environments.

It is the overall lack of conceptual clarity and specificity of the strategic choice perspective that limits its utility for this study. Assertions such as, “advocacy has a chance to flourish in organizations that find and sustain a fit between their advocacy

goals and the environment” (Cruz, 2001: 26) can provide a frame for exploratory research. They are not helpful, however, in generating specific testable hypotheses about advocacy decisions.

Other scholars have adopted an “institutional” perspective on nonprofit advocacy activities. Institutional theory suggests that significant actors within an organization’s network such as funders, the public, state agencies, and professional associations, develop and enforce normative rules for organizational behavior. Because of the established roles of these actors in society, those norms tend to be relatively conservative. Close adherence to these rules increases the probability of survival and, thus, organizations that survive tend to be those that meet dominant social expectations. An institutional isomorphism may result, where persistent organizations become more moderate and homogenous through mimetic processes, state coercion, or adoption of professional norms (DiMaggio and Powell 1991).

Arguments about mimetic processes suggest that an NPO will have a low likelihood of advocating unless organizations that it perceives to be successful and legitimate also advocate (Oliver 1991; Kramer 1994; Salamon 1995). The most commonly identified form of state coercion and regulation for NPOs is the tax code, which authors suggest intentionally reduces the willingness of tax exempt service providers to engage in political activity (Hopkins 1992 for a review). Scholars also suggest that larger, more well-established NPOs naturally become increasingly risk adverse and, thus, attempt to “buffer” themselves from outside scrutiny to the greatest degree possible by avoiding controversial activities (Bernstein 1991).

Finally, other authors assert that the increasing adoption of professional norms by nonprofit organizations and managers throughout this century has suppressed the advocacy mission of these organizations in favor of an increased focus on efficient service delivery (LuBove, 1965: 52-53; Withorn, 1984: 24; Hall, 1987: 13-14). According to Hall (1987), attempts to professionalize nonprofit organizations date from the 1970s. To improve the efficiency of service delivery, organizations emphasized the importance of professional managers. The professional managers, however, sought long-term career goals and thus focused on efficiency to the detriment of advocating interests of members and clients (Hall, 1987: 15).

In sum, institutional theories of advocacy behavior predict low levels of advocacy generally. More specifically, they lead to the expectation that advocacy will be carried out primarily by small and relatively nascent organizations that have not yet succumbed to institutional pressures that suppress the advocacy function. Additionally, institutional theories assume little agency for organizations relative to their environments. This assumption seemingly ignores the widely held expectation among systems theorists and strategic management scholars that organizations are influenced by, but also exercise influence on, their environments (Thompson 1967; Child 1972). Finally, institutional theories focus almost exclusively on the *constraints* on advocacy activity, rather than on the motivations for it.

Along with strategic choice and institutional theories, there are studies that adopt a resource dependence explanation for nonprofit advocacy. From the resource dependence perspective, the dominant environmental constraint on the advocacy

function is the threat that advocacy poses to the procurement of government funds (Cruz 2001). This is an argument that has resurfaced in the literature on nonprofit organizations numerous times over the past 30 years. The first reference to resource dependence and its constraining influence on advocacy activity was in Beck (1970), who argued briefly that the desire for increased government contracts would force voluntary organizations to deemphasize their advocacy role.

Manser (1974, 421) expands Beck's discussion of advocacy and government funding and suggests that the "purchase of service" agreements that typify government/voluntary sector relations pose threats to the advocacy activity of the latter. He asserts "an agency's freedom and effectiveness in social action or advocacy may be in inverse proportion to the amount of public money that it receives." He went on to suggest that "the reluctance of those who avoid involvement (in advocacy) for fear of controversy is deplorable, and it is a disgrace that our national policy, laws and the regulations of the Internal Revenue Service should be a deterring and controlling factor" (Manser 1974, 426). Finally, Manser (1974, 427) provides testimony from local government officials who claimed that they were unable to "publicly expose the effects of a regressive public welfare policy because 80% of the budget comes from the welfare agencies."

Kramer (1985) reiterates Manser's concerns and expands the argument concerning the threat that a growing dependence on government funding poses to voluntary sector advocacy. He suggests that voluntarism is being transformed into "vendorism," where NPOs find their primary role to be the contracted providers of

government services. He traces the growing dependence on government funds as these organizations became increasingly involved in carrying out a public purpose. Most importantly, he suggests that this dependence produces a number of dysfunctional consequences, including “cooptation and dilution of advocacy activity,” as well as “loss of autonomy and...voluntaristic character because of increased bureaucratization and professionalization” (Kramer 1985, 380). He goes on to assert that the growing dependence on government funds has made advocacy a low priority among many NPOs.

Finally, Wolch (1990) also emphasizes that growing dependence on government funding among voluntary organizations may constrain advocacy activity because, as public funding becomes more central to organizational survival, nonprofits become more acquiescent to the demands of government. Specifically, she argues that for an organization to continue receiving these needed funds “group output is likely to change toward direct services administered by professionals and away from advocacy and participation” (Wolch 1990, 207). She goes on to suggest that the risk of losing government funding will also change the character of advocacy activities for those groups that continue to have a public voice. She claims that “the deepening dependence of many organizations on contracts...is likely to dampen their ability to be critical of government policy” (Wolch 1990, 215). “Confrontational actions,” she asserts “may be minimized...in order that they are not perceived as biting the hand that feeds them” (Wolch 1990, 216).

Like institutional theory, resource dependence theories of NPO advocacy produce the expectation of low overall advocacy activity. As more nonprofits become

involved in the delivery of government programs and services (vendorism in Kramer's terminology), fewer organizations will be willing to challenge government policy. The advocacy function will be relegated to those rare organizations that have resisted government funding or managed to cultivate a diverse resource base. Indeed, one of the most important features of the resource dependence approach for the purposes of this study is the consistent assertion that advocacy is a risk because it may threaten much needed government resources. Again, this literature focuses almost exclusively on constraints on, rather than causes of, advocacy.

Recent scholarship on nonprofit advocacy has attempted to integrate the various theories discussed herein. Although she does not test competing expectations in a social scientific sense, Cruz (2001) explores the usefulness of strategic response, institutional, and resource dependence theories for organizing responses gathered in in-depth interviews of 60 executive directors of human service organizations.

Interestingly, her findings do not provide clear support for any of the dominant explanations of nonprofit advocacy. Even for Cruz's (2001) exploratory study, strategic choice theory is too vague to produce concrete expectations. She does note, however, that the theory ignores or underestimates many of the constraints identified by subjects in her study. Alternatively, institutional theory focuses heavily on those constraints and leads to expectations that only small and unprofessional groups will advocate. Cruz finds, however, that some of the most politically active organizations in her sample are large, long-established, and highly professionalized. Finally, Cruz discovers that, among

the respondents in her study, the degree of dependence on government resources had little impact on their organizations' decision to advocate.

Scholars in political science have shown relatively little interest in 501(c)(3) organizations or nonprofits. Interest group scholars have long known that some of these groups participate in the policy process despite the restrictions placed upon their political activity (Berry 1977; Holbert 1975; Hrebner and Scott 1982; Leech 1998). Despite that knowledge, the greatest concentration of scholarship has been on citizen groups operating in Washington, most of which are 501(c)(4) organizations and do not face any restrictions on political activity. Not surprisingly, these studies have focused primarily on lobbying techniques, effectiveness, and membership recruitment rather than on the motivations for and disincentives against lobbying (Vogel 1995; McFarland 1984; Rothenberg 1992; Shaiko 1999).

The relative paucity of political science literature in this area is due to the predominant focus of interest group scholars on Washington politics and early evidence in the literature that nonprofits were not particularly important players in that arena. Studies by Scholzman and Tierney (1986) and Berry (1977) found that nonprofits were some of the least represented interests in Washington.² More importantly, much of the policy impact of these groups is seen at the state and local levels of government and is missed, therefore, by a national focus (Berry 2003).

Additionally, most interest group scholars define their unit of analysis in such a way that precludes a focus on 501(c)(3)s. Early scholars had a broader conception of

² The number of nonprofits has grown by over 120% since these conclusions were reached, with 501(c)(3) organizations constituting the largest proportion of that increase.

what they termed “pressure groups,” that might have a variety of functions as their primary mission (See Truman 1951), but modern scholars have narrowed the definition of interest groups in a way that limits the applicability to nonprofits. As an example, Hrebemar and Scott’s (1982, 4) influential work *Interest Group Politics in America* defines interest groups as those groups “that are almost totally free from legal restriction and focus mainly on the public law making phase of government.”³ Additionally, service oriented groups are dismissed as “generally nonpolitical and of little interest” (Hrebemar and Scott 1982, 4).

Recent work in political science has, however, addressed the relative paucity of scholarship on nonprofits as interest groups. More importantly, it has begun to ask why these groups would lobby given the constraints that they face. Berry (2003) grounds his study in a survey of 593 executive directors of nonprofit organizations, including health and human services and public benefit groups, as well as organizations devoted to arts, education, environment, and other areas.

The author found that these nonprofit directors perceived advocacy to be a risky activity and that the majority identified the tax code as the primary impediment to their advocacy activity (Berry, 2003; 41). Although the professional Washington lobbyists that Berry interviewed understood the true extent of advocacy that the tax code allows, the executive directors of nonprofit organizations around the nation typically did not.

³ See also Walker’s (1991: 4) interest in “functioning associations in the United States that are open to membership and concerned with some aspect of public policy at the national level.” Even those authors who have broadened their definition to include non-membership groups, such as corporations, have typically defined an interest group in such a way as to limit the applicability to 501(c)(3) groups (See Hrebemar and Thomas 1993; Gray and Lowery 1996).

Thus, those individuals who actually make the decisions concerning lobbying were afraid that it might affect their tax exempt status, which they identified as critical to the survival of their organizations. To these individuals, knowing that the IRS had investigated nonprofits that might be violating some portion of the tax code made them hesitant to undertake the risk of lobbying (Berry 2003; 41 and 72).

Although he does not explicitly identify a theoretical frame for his argument, Berry (2003) relies on an institutional explanation for advocacy, where the tax code provides a serious disincentive to lobby for NPOs. He provides a great deal of evidence that a lack of accurate knowledge about the amount of allowable advocacy under the current tax code, as well as a healthy fear of violating some aspect of the law, suppresses the advocacy function in many NPOs. He goes on to suggest that organizations are more likely to advocate when they are better informed about the tax code and can, therefore, distinguish those activities that are allowed from those that are not.

Interestingly, while the tax code is clearly an institutional explanation for advocacy, the remainder of Berry's findings do not provide support for institutional explanations. Rather than advocacy being carried out by small and loosely organized groups with few normative ties to funders and professional organizations, the author argues that the opposite is true. Berry (2003) suggests that large organizations with sophisticated accounting capacity are more likely than small, less differentiated organizations to advocate because they can play a financial "shell game" that obscures the actual extent of lobbying. Additionally, his findings do not suggest that longstanding relationships with government suppress the advocacy function. Instead, he argues for a

mobilization effect where previous government-initiated contacts are an important predictor of further political activity by the nonprofit. Interestingly, Berry's findings also suggest that resource dependence has little or no impact on the decision to lobby.

Similar to the studies of NPO advocacy reviewed above, Berry's (2003) study suggests that relatively few NPOs will choose to advocate. Contrary to the scholarship reviewed above, however, his work suggests that larger organizations and those that have an existing relationship with government should be most likely to advocate.

Finally, like other authors in this area, Berry focuses primarily on the constraints faced by organizations that wish to advocate, rather than the causes for the advocacy function.

In summary, the literature on nonprofit advocacy from political scientists, sociologists, and economists suggests a model that emphasizes organizational influences on the decision to advocate.⁴ Specifically, previous scholarship offers the expectation that an increased reliance on government grants will correlate with reduced advocacy activity by 501(c)(3) organizations. Additionally, the literature suggests that the size and professionalization of an organization will also influence political activity, although scholars disagree regarding the direction of the relationships that will exist with these variables.

I suggest that the preceding explanations provide unsatisfying answers to the questions posed at the outset of this chapter because they ignore several key issues relevant to the study of advocacy. First, the literature consistently focuses on constraints rather than causes. Professionalization, resource dependence, and organizational size

⁴ The strategic choice perspective suggests that NPOs react to their environment, but does not provide enough specificity regarding environmental cues to generate an operational definition.

may explain why an NPO chooses *not* to advocate, but cannot tell us why a service provider would stray from its primary mission to become politically active.⁵ The inconsistent predictions produced by existing theories may arise because authors have failed to identify what motivates NPOs to advocate in the first place. Advocacy is, by definition, intended to change public policy (Hopkins 1992), so it seems logical that the policy environment may be a good place to begin looking for such a motivator.

The existing literature cannot comprehensively explain nonprofit advocacy because it treats it, conceptually or empirically, as a singular activity. Berry (2003) is careful to describe different advocacy activities, including affiliation, grassroots, and direct lobbying, but he never models the choice among them as a function of administrative capacity, organizational wealth, mobilization, or any of the other predictors of advocacy that he identifies. Similarly, Cruz (2001) tests the explanatory power of institutional, resource dependence, and strategic choice theories of advocacy without ever questioning executive directors about how these factors influence the ways in which they choose among the various strategies available to them. Finally, the large literature which suggests that NPOs are hesitant to advocate because of their dependence on government funding never explores the ways in which different types of advocacy pose different threats to valuable government resources.

Theory

To address these shortcomings, this dissertation offers an alternative to existing explanations for nonprofit advocacy that focuses on the causes for, as well as the

⁵ The mixed empirical evidence also suggests that these explanations *may not* be able to provide an accurate picture of the constraints on advocacy.

constraints on, this behavior. It seeks to answer two related questions: (1) when do 501(c)(3) organizations decide to become politically active, and (2) what are the organizational characteristics that correlate with the use of specific advocacy tactics? In answering these questions, this section develops a theoretical framework that addresses how the choice to advocate and the choice among strategies are related to one another and the specific decision criteria that organizations use when making each.

Specifically, the framework presented here argues that the decision to advocate is a strategic response to conditions in the policy and political environment in which NPOs deliver services and that the content and character of that response are highly constrained by available resources. Nonprofit service providers decide to advocate when the threat from government institutions to their ability to deliver core services is sufficient to justify engaging in political activity and when they perceive the highest probability of success. Once an organization has decided to undertake some level of advocacy, its choice among the particular tactics for changing policy depends heavily on the level and nature of human and financial resources that it possesses.

General Framework

Nonprofit organizations are open systems which must respond and adapt to changes in the environment to survive (Salamon 1999). The decision to advocate and the choice among particular types of advocacy are best conceived of, therefore, as strategy formulation in an open system.

Despite disparate conclusions in the strategy literature, authors have recently developed a general framework for modeling strategy formulation in complex

organizations, many of the components of which can provide a foundation for understanding the decision to advocate and the choice of advocacy strategies by NPOs. Boyne and Walker (2004) use the existing literature on strategy to argue that there are three levels of strategy formulation. These include the selection of primary missions and objectives, formulation of broad strategies to address environmental constraints on those objectives, and finally the selection of specific actions in the implementation of those strategies. The authors suggest that the levels of the framework are hierarchical, with each necessarily preceding the next.

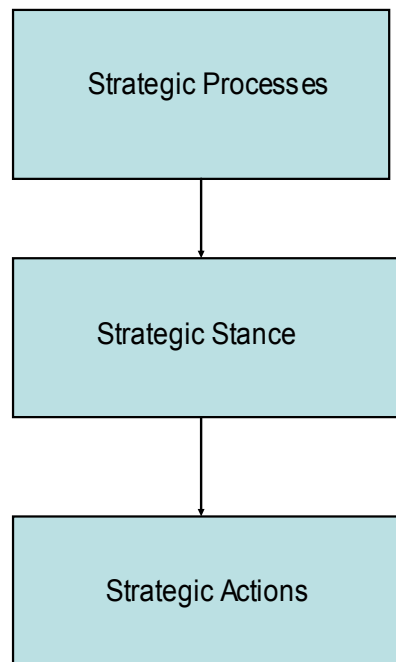
At the most general level of the framework are *Strategic Processes*, which refer to the formulation of objectives and mission (See also Hart 1992). This is similar to what Thompson (1967) defined as domain selection. For example, 501(c)(3) health and human service organizations have as their core mission the delivery of services, particularly to persons who might not otherwise have access to them. Advocacy and other organizational activities are necessarily secondary to this core mission. Although domain or strategic process selection is undeniably an important choice made by organizations, it is not particularly relevant to this investigation because all of the organizations in question have as their primary objective the delivery of services to clients. Thus, there is little or no variation in *Strategic Processes* across cases.

Figure 2.1 presents graphically the next two stages of strategy formulation, which are germane to this investigation. After selecting a domain, Boyne and Walker (2004) suggest that organizations must assess environmental conditions to determine an appropriate *Strategic Stance*. This, according to the authors is the “broad way in which

organizations seek to extract needed resources from the environment” (Boyne and Walker 2004, 240). When determining its *stance*, the organization interprets signals from the environment to decide on a course of action that ensures organizational survival and success (See also Rubin 1988). The process of determining strategy stance is similar to what Thompson and McEwen (1958, 23) described as “organizational goal-setting,” which they define as “identifying the desired relationship between an organization and its environment.” Goals or strategic stances might include such things as increasing market share, improving client/customer satisfaction, or changing public policy regarding a particular program, service, or client group.

After setting these general goals in response to environmental conditions, Boyne and Walker (2004) argue that organizations must choose a set of *Strategic Actions*. These are, according to the authors, “the specific actions that organizations may use to operationalize their stance” (Boyne and Walker 2004, 241). In other words, once an organization has decided that the environment necessitates a certain course of action (strategic stance), it must determine the specific activities that will help it to pursue that course most effectively. Strategic actions might include the temporary reallocation of resources or personnel, manipulation of structures or processes within the organization, or changes to the scope and character of relationships with those in the organization’s environment.

Figure 2.1 Strategy Formulation in Open Systems (Adapted from Boyne and Walker 2004)



Thus, Boyne and Walker (2004) seemingly provide a useful framework for organizing our thinking about the relationship between the decision to become politically active and the choice among advocacy tactics. I suggest that becoming politically active (i.e., advocating) is a strategy stance taken by some nonprofit service providers who then choose among a set of strategy actions that includes affiliation, grassroots activity, and direct lobbying. Within this general framework, however, a set of more specific questions remains. First, what environmental conditions are most relevant when organizations decide to advocate? Second, what are the primary strategy actions available to NPOs considering advocacy and what are the costs associated with each? And finally, beyond strategy stance, what are the factors that constrain organizational choices among various advocacy activities?

The Importance of the Policy Environment. There is considerable evidence from scholars, practitioners, and regulators that the policy environment is relevant when NPOs consider advocating.⁶ Hopkins (1992) defines advocacy as “activities and expenditures designed to affect public policy.” Other notable scholars similarly define advocacy as the public expression and representation of interests and concerns which focuses on changing policies and securing collective goods (Jenkins 1987; Salamon 1994).

⁶ Although they are typically described as singular, Thompson (1967) suggests that task environments are “multifaceted, or pluralistic, and composed of...numerous aggregates of individuals and other organizations” that influence organizational survival and success. Thompson goes on to assert that the pluralistic nature of the task environment introduces uncertainty and contingency that interfere with the rational decision-making processes preferred by organizations. They attempt to manage this complexity by isolating the elements of the environment that most closely relate to each organizational function and then dealing with those elements individually. Thus, rather than saying that organizations react to signals from the environment, it is more accurate to say that when deciding on a particular function they react to changes in the relevant environmental element(s).

Practitioners also think of advocacy activities within a policy context. Among the executive and public affairs directors of health and human services organizations surveyed by Berry (2003), a vast majority acknowledged changes in public policy as an important determinant of advocacy. “Securing new government policies that benefit clients” and “protecting existing policies that benefit clients” were the most common reasons given for lobbying by respondents in Berry’s study.

Finally, those that regulate advocacy also define it in terms of public policy. The IRS form 990 asks 501(c)(3) organizations “in an attempt to change state policy, have you actively lobbied your state legislature?”

Thus, it seems reasonable to assert that the policy environment provides a key motivating factor for advocacy activity among nonprofit service providers. Evidence suggests that NPOs choose to engage in activity designed to change public policy when that policy threatens their ability to deliver services or the well being of clients (Salamon 1994; Boris and Krehely 2002; Cruz 2001). In the language of Boyne and Walker’s (2004) framework, NPOs adopt advocacy as a strategic stance when they feel that it is the best or only way to continue extracting needed resources from the policy environment. Institutional and resource factors emphasized in the existing literature can continue to be important constraints on the adoption of such a stance. They have, however, been supplanted by the policy environment as the primary causal explanation for advocacy.

For the purposes of this study, the policy environment encompasses all governmental actions that regulate or facilitate an organization’s ability to deliver the

service that defines its core function or mission. The intergovernmental regulatory structure in the United States ensures that nonprofit service providers exist in a multi-level policy environment, the different strata of which are defined by federal, state, and local governments. This multi-level environment could pose challenges to an analyst looking for relationships between environmental cues and organizational behavior.

Fortunately, the complexity can be reduced somewhat because providers within a particular service area (e.g. mental health, family planning, job training) face a relatively unitary federal policy environment. Most national regulations will apply uniformly to all of the organizations in a particular area. The state-level policy environments in which these organizations deliver services can vary dramatically, however. Chapter IV will summarize the policy environments in which pro-choice nonprofit family planning service providers deliver services.

Advocacy Related Strategic Actions Available to NPOs. Boyne and Walker's framework suggests that after adopting a strategic stance, such as a dedication to changing public policy, an organization must decide upon a set of specific actions that allow it to pursue that broader goal. The tax code and existing literature on advocacy focus on three such activities. This is obviously not an exhaustive list, but it does include those categories of activity that 1) scholars and practitioners identify as most common and 2) the federal government feels are sufficiently meaningful to warrant regulation.

When 501(c)(3) organizations declare their intention to influence public policy to the Internal Revenue Service, they are asked to report on three activities. The first of these is affiliation with a 501(c)(4) organization. 501(c)(4)s are traditional interest

groups that are largely unrestricted as to the scope and character of their lobbying activities. Contributions to these organizations are not tax deductible. So service providers can choose, in effect, to delegate part or all of their advocacy function to these organizations and may even create a 501(c)(4) explicitly for the purpose of influencing government. The only requirement imposed by the tax code on this activity is that the 501(c)(3) must report its relationship with any and all such groups annually.

The second type of advocacy that 501(c)(3)s must report is “grassroots lobbying.” So-called grassroots activities are generally defined as those that seek to change policy via alterations of public opinion. This classification can include policy oriented education of members and clients, policy specific public relations or media campaigns, or the dissemination of political information to the general public (Hopkins 1992). Grassroots activities also include research activities designed to support education and public relations efforts and other community based activities (Cruz 2001).

The final activity that 501(c)(3) service providers report to the IRS is “direct lobbying.” Here the definition provided to NPOs is more precise, with direct lobbying classified as the attempt to influence legislative behavior through direct contact with legislators (Hopkins 1992; Berry 2003; Boris and Krehely 2002). Obviously, direct lobbying, grassroots lobbying, and affiliation with a 501(c)(4) are not mutually exclusive activities and service providers can choose any or all of these as strategy actions.

The activities listed above vary along several important dimensions in the costs that they impose on 501(c)(3) organizations. First, each strategy requires different levels of financial and human resources, with affiliation being lowest cost and direct lobbying

being highest (Cruz 2001). Affiliation with a 501(c)(4) often involves a monetary commitment on the part of the 501(c)(3), but there are also numerous examples in the tax record of service providers who claim an affiliation with a lobbying organization but do not provide monetary resources to that organization. Alternatively, direct legislative action is a relatively expensive activity. The interest group literature suggests that lobbying organizations that wish to be taken seriously have to develop and pay for the professional expertise and research capacity necessary to debate existing policy with lawmakers (Baumgartner and Leech 1998). Similarly, recent studies of NPO lobbying in state legislatures, Congress, and the courts indicate that legitimacy and influence require substantial resources (Basinger 2003).

In addition to financial and human costs, the advocacy activities employed by nonprofit organizations vary dramatically in the amount of exposure that they bring to the organization. Affiliation with a 501(c)(4) organization scores lowest on this dimension, bringing relatively little scrutiny from political actors. Such affiliations are the method that national lawmakers recommend for service providers that wish to become politically active (Hopkins 1992). The Supreme Court has also consistently ruled that such affiliations are both legal and protected under the current tax code.

Direct lobbying again has the highest exposure, necessarily opening the organization's political activities to lawmakers who may directly influence tax exempt status and funding. Research suggests that managers of 501(c)(3)s perceive a clear relationship between direct lobbying activities and the probability of costly retribution by hostile politicians. Several of the executive and public affairs directors interviewed by

Berry (2003) recounted tales of IRS audits following mysteriously on the heels of testimony in front of Congressional committees. One suggested that such reprisals were clearly a “shot across the bow” of the organization by political actors who wished to discourage such overt political activity.

Thus, there are three major activities that nonprofit service providers undertake when becoming politically active. In the context of Boyne and Walker’s (2004) framework, these activities best fit into the category of strategic actions intended to change relationships between the organization and its environment. Chapter VI will further discuss the character and scope of different advocacy activities used by 501(c)(3) organizations and the variation in costs for each.

Constraints on Organizational Choices Among Advocacy Activities. The interest group literature in political science has reached consensus on few things, but one thing scholars agree upon is that successful interest groups employ a broad repertoire of strategies in their pursuit of policy influence (Sholzman and Tierney 1983; Cigler and Loomis 1991). In some studies, the leaders of these groups report that they may employ as many as 10 different strategies over the course of a policy battle (see Nownes and Freeman 1998). Thus, one would expect politically active 501(c)(3)s to make use of all the advocacy activities allowed by the tax code. In reality, however, few NPOs employ the entire repertoire of strategies. Of the 501(c)(3)s that advocate, only 14% affiliate with a 501(c)(4), undertake grassroots activity, *and* directly contact legislators and other political officials.

Obviously, something is constraining the choice of advocacy actions by politically active 501(c)(3)s. Because the existent literature on nonprofit advocacy has not addressed the choice among strategies, it offers little insight into the nature of that constraint. Additionally, Boyne and Walker (2004), beyond the general prediction that organizational characteristics influence the choice among strategic actions, offer few insights regarding the specific factors that may influence the choice among strategic actions by a nonprofit service provider. In order to identify these factors, therefore, I will turn to another literature which has studied similar activities as those identified by Boyne and Walker in organizations that share important characteristics with not-for-profit service providers considering advocacy.

Although the terminology differs, the strategic actions described by Boyne and Walker (2004) and the advocacy activities identified above are analogous to what the large literature on social movement organizations (SMO) refers to and studies as *tactics* (McAdam, McCarthy, and Zald 1996; Jasper 1997; Dalton 1994; Tilly 1979). One of the most consistent features in studies of SMOs and protest groups is the assertion that group and member resources are a powerful factor in decisions about tactics. Ennis (1987) argues that a group must choose a “field of action” that is not only consistent with its ideology and image, but also feasible given its financial and membership resource bases. Similarly, Meyer (1999: 30) argues that “with regard to resources, a well-endowed organization has more options for tactics than a poorly financed one.”

The literature on SMOs also points out that, along with the differences in costs associated with different strategies, there are also different opportunity costs for each.

Specifically, different tactics may alienate important funders to a greater or lesser degree and, therefore, have different consequences for the continued receipt of needed funds. In addition to a desire to adhere to core mission and ideological preferences, organizations choose tactics based, in part, on their ability to bear these costs (Minkoff 1999).

McAdam, McCarthy, and Zald (1996) examine groups within several movements in the United States and Europe and discover that organizations that rely heavily on government funds are more likely to choose tactics that are less threatening to their funding relationships. Alternatively, groups with a diverse resource base were less constrained in their choice of tactics. Interestingly, this resource dependence argument is quite similar to the one made by students of nonprofit advocacy and reviewed earlier in this chapter. The insights from the literature on SMOs suggest, however, that resource dependence should be used to predict not the decision to become politically active, but rather the tactics that these groups employ in pursuit of the goal of changing policy.

In addition to evidence from the literature on SMOs, organization theory also suggests that resources may be an important constraint on the choices made by NPOs. More specifically, authors have long suggested that slack resources—those above levels needed for core functions—allow organizations to absorb failures, bear the costs of adaptations and innovations, explore new ideas proactively, and exploit environmental opportunities more aggressively (Rosner 1968).

Authors typically measure slack resources on two dimensions—financial and human. Financial measures typically include total budgets, sources of revenue, and cost of core operations (Atkin and Hage 1971; Berry 1994; Daft and Becker 1978), while

human resources are typically measured as the size and expertise of relevant staff (Bourgeois 1981). Studies have demonstrated a strong relationship between the breadth of organizational innovation and slack resources on both dimensions (Berry 1994; Damanpour 1987). Finally, research also suggests that organizations possessing more human and financial resources than are necessary to maintain core operations are better able to manage environmental contingencies.

So, there is reason to believe that a direct relationship exists between the level and type of resources that an organization possesses and its choice of strategy actions or tactics. In other words, the way in which an organization operationalizes its strategic stance—the tactics that it chooses—is constrained by available resources. Different actions typically impose different costs, and the choice among them is determined in large part by the organization's ability to bear those costs. Tactics are a product not only of what the organization wants to do (strategic stance), but also of what it is able to do. In addition to describing the nature and costs of various advocacy activities, Chapter V will also develop specific testable hypotheses concerning the relationship between organizational resources and the choice among advocacy activities.

Conclusion

In summary, this chapter argues that the existing literature on nonprofit advocacy is incomplete because it ignores the impact of the policy environment on the advocacy decision and because it treats advocacy as a monolithic endeavor, rather than as a choice among available tactics. In response to these criticisms, the chapter also offers the theoretical framework for understanding nonprofit advocacy presented in Figure 2.2.

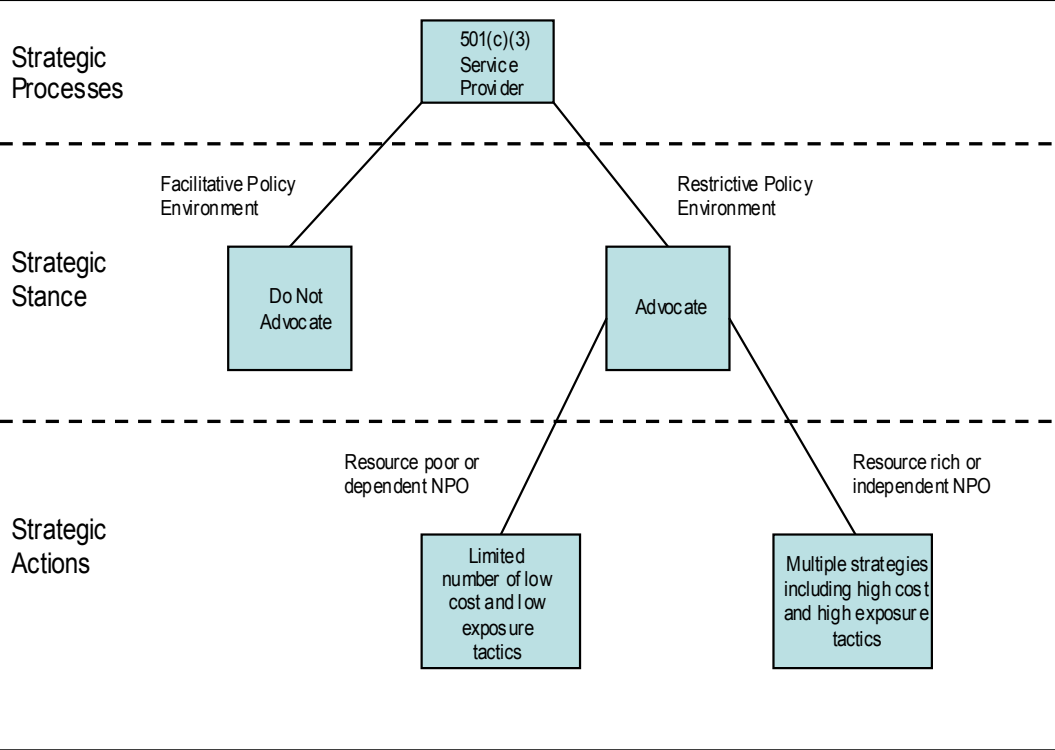
That framework suggests that nonprofit organizations assess the nature of the policy environment in which they deliver services when deciding whether or not to become politically active. When that environment is hostile or restrictive of the organizations ability to deliver services the NPO will adopt the strategic stance of changing policy through advocacy.

When an organization decides to become politically active, it chooses from among available strategic actions or tactics based on available resources. An organization with few slack resources and high levels of resource dependence will choose low cost or low exposure strategies such as affiliation. Alternatively, a resource-rich organization with a diverse funding base will be able to adopt numerous strategies, including high cost and high exposure tactics such as direct lobbying.

The suggestion that advocacy is primarily a strategic response to the policy environment is clearly an alternative explanation to the ones presented in previous scholarship. The existence of rival hypotheses suggests the need for a test to determine the relative explanatory power of each. Chapter IV will present such a test by assessing the degree to which the policy environment predicts 501(c)(3) advocacy in a model that also includes measures of resource dependence and institutional development, which are the dominant explanations for advocacy offered in previous research.⁷

⁷ The dissertation does not explicitly offer a test of resource explanations for the choice among advocacy strategies against another model proposed in the literature because previous scholarship has not explored the choice among strategies or articulated such a model.

Figure 2.2 The Decision to Advocate and the Choice Among Advocacy Strategies by 501(c)(3) Organizations



CHAPTER III

RESEARCH DESIGN AND DATA

The previous chapter argues that advocacy among 501(c)(3)s is a strategic response to the policy environment in which these organizations deliver services, the specific nature of which is constrained by organizational resources. This chapter describes the research design and data used to test specific hypotheses generated by that general proposition. The first section explains and defends the dissertation's focus on a particular category of nonprofit service provider. The second discusses the large-N controlled comparison approach taken herein and the advantages of that design over previous studies. The third section reviews the data collection process, focusing on both the general outlines of the data compiled by the National Center for Charitable Statistics and the specific data sets used in this analysis of nonprofit advocacy. Finally, the chapter concludes by identifying some limitations of the design and data used in this study.

Unit of Analysis and Sample

Federal and state governments that regulate these activities measure political activity by 501(c)(3)s on an organizational metric. More specifically, they require reporting of organizational participation and expenditure in the various categories of advocacy activity discussed in previous chapters. It seems logical, then, that any study of the factors that determine the amounts of these activities reported to the Internal Revenue Service and other regulatory bodies should also be conducted at the organizational level. Thus, the unit of analysis in this dissertation is the individual 501(c)(3) organization. There were over 220,000 such organizations identified in the

2004 National Taxonomy of Exempt Entities (NTEE) created by the National Center for Charitable Statistics for use by the Internal Revenue Service.

The next challenge is to choose a sample of these organizations that makes the analyses proposed in the last chapter tractable, while still allowing for valid inferences to nonprofit organizations outside the sample. Obviously, the easiest method is to draw a simple random sample from the universe of 501(c)(3)s. Unfortunately, that approach has one key shortcoming that makes it unsuitable for testing hypotheses concerning the factors that influence advocacy activity.

Specifically, it is impossible to identify policies that are equally applicable to a random sample of 501(c)(3) organizations drawn from all categories of nonprofit service providers. In other words, it is difficult to argue that a policy setting the parameters of mental health provisions for Medicaid recipients has the same relevance to a nonprofit HIV/AIDS counseling center. Similarly, it is not logical to assume that the Carnegie Library Society and the Planned Parenthood Federation of America care equally about provisions in the Patriot Act that allow for the seizure of library patron records.

Because the hypotheses presented in the previous chapter suggest that NPOs advocate when the policy environment poses a sufficient threat to their ability to deliver services, it is imperative that the policies identified as predictor variables have the same degree of relevancy for every organization in the sample. Unfortunately, because such organizations deliver vastly different services and clientele, the indicator could not accurately measure the presence of policies that restrict or facilitate the delivery of services across all organizations in the NCCS sample. In other words, any

operationalization of relevant public policy in a study that included a random sample of 501(c)(3) organizations would necessarily have low construct validity.

To make the analyses proposed in the last chapter tractable and to develop a valid measure of the policy environment, this dissertation draws a “purposive” sample of 501(c)(3) organizations. The selection criterion for inclusion in the sample is the type of service delivered by the organization. More specifically, I test for the impact of public policy and organizational resources on the advocacy activities of 501(c)(3) organizations that deliver reproductive health and family planning services to clients. In choosing the organizations for this sample I began with the general NTEE (National Taxonomy of Exempt Entities) classifications. I chose those organizations classified with the NTEE designation E40 and E42.

Those groups classified as E40 are Reproductive Health Care organizations. These organizations provide medical, educational, and counseling services which relate to the “conception, deliver, and care of offspring.” They include organizations other than those that simply offer family planning services and include: fertility treatment centers, human sexuality education and counseling centers, obstetric and gynecology clinics, pregnancy termination and abortion clinics, prenatal care and childbirth preparation centers, and voluntary sterilization centers. This category excludes those groups that are concerned with prevention of adolescent pregnancy, maternity homes for unwed mothers, and advice and guidance programs that focus on adolescent parents. Those organizations that are classified as E42 by the NTEE include all organizations that provide assistance for people who want to control the size of their families and the

spacing of their children, usually through some form of birth control. Planned Parenthood organizations are found in this group.

I exclude from the sample any organizations that explicitly identify themselves as pro-life organizations. These groups are identified in three ways. First, many pro-life organizations carry an NTEE classification of R62 and are actually social action groups. As such, these are not included in my sample. Second, I examine the mission statements of remaining organizations for reference to conservative religious values or sentiments, explicit reference to pro-life concerns, or abstinence only programs, which might connote a pro-life stance. Finally, I search the financial and collaboration information within the 990s and remove all organizations that were affiliated with more overt pro-life groups, as well as those that participate in clear pro-life fundraising opportunities. The risk of organizations not being detected by these procedures because they hide their pro-life agenda is relatively low. The nonprofit literature suggests that the necessity of fundraising should mitigate such activities. Pro-life organizations will want to court funders who are also pro-life and expect to see an overt pro-life stance from the organizations they support.

There are three factors that helped to determine the choice of pro-choice reproductive health service providers for this study. First, these organizations deliver one or more, though not necessarily all, of a relatively homogenous set of services including contraception, maternal and child health, venereal disease screening and treatment, information/counseling regarding the termination of pregnancy, and abortion procedures. Second, as the next chapter demonstrates, it is relatively easy to identify public policies

that are specifically designed to restrict or facilitate the delivery of these services. Reproductive health and women's rights groups identify 13 such policies enacted by state legislatures over the past decade. Finally, and most importantly for the purposes of this study, these policies, individually or in total, should have roughly the same degree of relevance to all organizations classified as 501(c)(3) reproductive health/family planning service providers.

The challenge that remains is demonstrating that a study of reproductive health/family planning organizations can produce findings that are generalizable to other 501(c)(3) service providers outside of that frame. Studies which rely on purposive samples can be generalizable so long as the members of the sample mirror the population to a significant degree on all indicators except the selection criterion. Patton (1990) argues that external validity is possible when selected cases can be shown to be "typical" of the cases to which the researcher wishes to generalize.

In my judgment, organizations classified as reproductive health/family planning service providers are "typical" of organizations in the largest categories of 501(c)(3)s. They are statistically equivalent to those organizations classified as Human Service or Health Providers by the NTEE on a host of indicators, as explained below. Health and Human Service organizations made up 49% of all 501(c)(3)s between 1998 and 2001 and include the vast majority of third sector organizations that provide programmatic services to clients.⁸

⁸ The only substantial set of service provision organizations that are not included under the umbrella of Health and Human Service are those that provide primary, secondary, and post-secondary education services.

Based on difference of means tests between the relevant subgroup of reproductive health providers and the population of Health and Human Service providers, the two have similar levels of total organizational income ($p < .42$), total organizational revenue ($p < .26$), total government grants ($p < .55$), direct and indirect public support ($p < .29$), and the proportion of total revenue from government sources ($p < .27$). These providers also pay similar compensation to managerial and professional staff as do other Human Service and Health organizations ($p < .44$) and spend similar amounts on lobbying ($p < .24$). Finally, a similar percentage of reproductive health providers and Health and Human Service providers employ a specialized public affairs director ($p < .22$), and engage in political activity ($p < .33$).

These similarities suggest that findings from analyses of 501(c)(3) reproductive health/family planning providers should provide insights into the activities of more than 100,000 nonprofit health and human service organizations currently providing services to clients in this country. Reproductive health/family planning organizations do not share all of these similarities with other categories of 501(c)(3) organizations – such as tax-exempt fundraising organizations, foundations, pension and retirement funds, religion related organizations, international and foreign relations groups, environmental and animal benefit organizations, groups dedicated to art and cultural pursuits, and education organizations. As a result, readers should use caution when applying the conclusions drawn from this study to these groups.

The one notable exception to this general statement is for education organizations, which often serve underrepresented clients with little voice in the political

process. Interestingly, these organizations share some key characteristics with reproductive health/family planning organizations including similar levels of professionalization and specialization and similar levels of dependence on government funding. They tend to advocate with the same frequency, and they spend a similar proportion of total revenue on lobbying activities. Despite these similarities, education organizations are, on average, smaller than reproductive health NPOs and more reliant on direct charitable contributions. Because of these differences, readers should also apply conclusions from this study to this category of 501(c)(3) with some degree of caution.

Research Design

This dissertation employs a large-N, controlled comparison, non-experimental design to test hypotheses regarding the factors that influence advocacy activities among 501(c)(3) organizations. Pollock (2003) suggests that the controlled comparison design is appropriate when theory suggests multiple rival explanations for an observed phenomenon, but the unit of analysis or other factors prevent the researcher from isolating causal influences in a true experimental setting. I have suggested that the policy environment is the key determinant of advocacy activity among nonprofit service providers, while the existing literature suggests that resource dependence and institutional factors motivate political activity. Because the unit of analysis in this study is the organization and the dependent variables are measures of organizational behavior, a controlled comparison of 501(c)(3) organizations is the most tractable means for determining the explanatory power of these rival explanations.

There are numerous ways to “control” for alternative explanations when comparing observations. In small-n research in political science, the most common method is the matching of a limited number of observations in either a “most similar” or “most different” system design. An alternative approach, and the one taken in this dissertation, is to expand the number of observations sufficiently to allow for statistical controls of alternative explanations. Although the comparison of a large number of observations in this fashion has well documented pitfalls, including threats to internal validity, it can offer advantages over matching designs in terms of external validity. Thus, this dissertation investigates the impact of the policy environment on advocacy decisions in over 300 501(c)(3) organizations while statistically controlling for other potential causes of political activity.

This large-N controlled comparison approach offers advantages over research designs employed in previous studies of nonprofit advocacy, the majority of which have been exploratory in nature (see Berry 2003 for an exception). Those studies that have attempted to empirically investigate political activity by 501(c)(3) organizations have typically used elite interviewing as their primary method of data collection, and they relied on samples of convenience for the selection of subjects. Similarly, these studies rarely attempt to demonstrate that selected cases are typical or representative of a larger population (see Cruz 2001 as a representative example of such work). While often providing rich ideographic detail, the obvious drawback to such studies is that they prevent inference to individuals or organizations beyond those directly observed by the researcher.

Such exploratory designs and methods are most appropriate when little is known about a subject, or when theory development is insufficient to generate a set of testable hypotheses. In the case of nonprofit advocacy, however, a small but growing literature has already developed theoretically grounded expectations. What is missing from the literature is a large-N analysis that can discriminate among hypothesized influences. Even studies of nonprofit advocacy with a large-N design have primarily limited their focus to describing the advocacy function and its organizational correlates. For example, Berry (2003) identifies many of the hypothesized motivators for and constraints on political activity reviewed in the previous chapter. After collecting data on over 500 501(c)(3) organizations, however, he does not construct a model that allows for rigorously testing these hypothesized rival explanations. The controlled comparison design employed in this study will allow for such a test.

Data

I gathered data on expenditures for political activities and collaboration with other lobbying organizations, as well as information on organizational revenue and personnel, from the National Center for Charitable Statistics (NCCS). NCCS is the national repository of data on nonprofit organizations in the United States. Its “Core Files” are produced annually and compiled from information that nonprofit organizations are required by the tax code to report to the Internal Revenue Service (IRS). This information is primarily drawn from the IRS Form 990 and Form 990 Schedule A. The Core Files also contain descriptive information from the IRS Business

Master Files and financial variables from the IRS Return Transaction Files that have been cleaned by NCCS.

These data contain unusually comprehensive financial information on charitable organizations and, according to scholars who have worked extensively with the Form 990s, are well suited to studying the lobbying activities of 501(c)(3) organizations. Indeed, Krehely (2001) argues that the NCCS data allow researchers the opportunity to compare politically active organizations of a specific type with similar organizations that choose not to lobby, in a large-N design.

As subsequent discussions will note, the reliability of a new version of the Form 990 data that I employ in this study has been significantly improved, but analyses of these older data suggest that even they can produce valid conclusions about non-profit activity in the appropriate design. Studies by Froelich and Knoepfle (1996) and Froelich et al. (2000) found the earlier 990 data to be generally reliable, identifying primarily range of magnitude problems, to which a large-N regression based analysis such as mine should be robust. Additionally, the most common errors identified in these studies occurred in variables that are not employed in this study.

The following variables are but a small sample of the full set contained in the core files and that are particularly useful for an analysis of lobbying activity. I will explain in detail in later chapters the specific variables I use to operationalize concepts of interest for this research, but this review helps to illuminate the richness of the NCCS data as a source for the study of advocacy activity:

Part III, Line 1: “During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If ‘Yes,’ enter the total expenses paid or incurred in connection with the lobbying activities.”

Part VI-A, Line 36: “Total lobbying expenditures to influence public opinion (grassroots lobbying).”

Part VI-A, Line 37: “Total lobbying expenditures to influence a legislative body (direct lobbying).”

Part VI-A, Line 38: “Total lobbying expenditures.⁹”

All organizations must respond to Part III, Line 1, however, Part VI-A, Lines 36, 37, and 38 are answered only by organizations that make the 501 (h) election to lobby.

Despite the usefulness and strength of these older core data, scholars have identified several weaknesses. First, some suggest that there are ways to participate in advocacy other than by just grassroots or direct lobbying. Thus, some activities might be missed by the “coarseness” of the IRS data. Additionally, scholars point to the fact that, in the past, organizations grossing less than \$25,000 were not required to file an IRS Form 990 and argue that these unregistered organizations carry out some lobbying activity (Colwell 1997). Finally, scholars note that some of the key variables for analysis are aggregate measures, which may limit the scope and depth of any analysis. For

⁹ The core files also have data on “excess” lobbying expenditures for electing organizations.

instance, the “contributions” revenue variable in the core files is a total of all monies from private individuals, foundations, and government grants.

Fortunately, the bulk of the concerns listed above have been overcome by newly collected and organized data available from the NCCS for 1998, 1999, 2000, and 2001. The newly available Digitized Data contain the same information as the Core Files, but also incorporate additional information designed to compensate for several of the weaknesses discussed above.¹⁰ The new data resource includes information on the lobbying activities and techniques of non-electing organizations, variables representing the subcategories for currently aggregated revenue and expense variables, and finally, information on what organizations the reported group is linked to both financially and managerially. This last information allows researchers to know if a 501(c)(3) organization is affiliated with a 501(c)(4) organization (Krehely 2001).

As a final addition to the information contained in the Core Files, the Digitized Data contain program descriptions as reported in Part III of Form 990. The data are keyword searchable, which allows researchers to identify organizations that engage in broader or nontraditional advocacy work.

In addition to being substantively useful for the study of nonprofit advocacy, the NCCS digitized data also have high reliability. There is, undoubtedly, some reporting error among the more than 200,000 organizations that file 990s and there is likely to be some error introduced as the data are processed by NCCS. However, much of this will be random error, and such errors in the NCCS data should be significantly less than that

¹⁰ See <http://nccsdataweb.urban.org> for a more technical discussion of the changes in the Digitized Data.

tolerated in much social science research for two reasons. Because the IRS has the capability to audit the information provided by these organizations and punish them monetarily for mistakes, this information should be considerably more accurate than data on advocacy collected from other sources.

In addition to the improved reliability created by the threat of IRS sanctions, the Urban Institute and the National Center for Charitable Statistics provide a remarkable set of tools for assessing the accuracy of the data that they collect. Specifically, the data set includes accuracy checks for every financial indicator from the Form 990 that requires reporting organizations to add multiple dollar figures. For example, variables such as Total Revenue, Total Government Grants, Total Rental Income and the like are accompanied by a “verification indicator,” which alerts the researcher to any inaccuracies in the organization’s arithmetic. The indicator takes on values of 1 to 7, with 1 corresponding to 0 error and 7 corresponding to error greater than 25%. I include only those observations where the verification indicator suggests error of less than 5% in subsequent analyses.

In an effort to ensure that the data used throughout this dissertation are as accurate as possible, an additional evaluation of the organizations in the sample was done. In the process of this examination, I found that a number of organizations were primarily research based organizations. Because they were not service providers, they did not seem appropriate for analysis and were also removed from the sample. Additionally, several organizations were misclassified as family planning and

reproductive health providers when they did not provide either service. These organizations were also removed.

So, as a review, the preparation of the data for this study included first the isolation of organizations classified by the NTEE as E40 and E42 service providers. Next, I conducted a manual examination of the Form 990s that identified pro-life, primarily research based, and misclassified organizations. Finally, I excluded organizations with greater than 5% error on the verification indicators for variables used in the analyses. These procedures, which are in keeping with NCCS recommendations for researchers using these data, yielded a total sample of 487 family planning and reproductive health providers.

After selecting this sample, I remained concerned about one additional source of error. Krehley (2001) suggests that one of the common types of error in the older core files was a failure by organizations to attach certain required forms when filing the Form 990. In an effort to eliminate such concerns, I again manually checked the returns of all providers in my sample and verified that 100% of these organizations had filed the advocacy related attachments required by the IRS.

Thus, I am confident that the data used in subsequent analyses has a high degree of reliability. Conclusions drawn from NCCS data should also have a high degree of validity. Threats to the validity of research come especially from the existence of systematic errors in data and there is no evidence that nonprofit organizations systematically misrepresent their lobbying activities, revenues, or expenditures to the IRS (Krehely 2001). Again, the threat of sanctions by the IRS limits systematic

“cheating” by these organizations. In 2002, some organizations actually informed the IRS that they had exceeded the allowable lobbying expenditures by designating the “excess” category on the Form 990. Thus, in the absence of systematic error, conclusions drawn from analyses of the NCCS Digitized Data should be valid.

The NCCS data discussed above provide information on 501(c)(3) organizations necessary for dependent variables measuring the presence and type of political activity, as well as information needed to operationalize rival explanations for advocacy focusing on professionalism and resource dependence. In order to allow for more nuanced analyses, I have also hand coded spending by these organizations on both grassroots lobbying and direct lobbying, differentiating between h-electors and non-h electors. This information is not available in the data provided by the NCCS.

It is rich with information, but the NCCS data does not allow for the measurement of the policy environment, which is one of the key independent variables proposed in the last chapter. To gain a comprehensive picture of the policies that restrict or facilitate the delivery of services by the 501(c)(3)s under study here, I rely on the annual state-level survey of reproductive rights conducted by the National Abortion Rights League (NARAL). Although NARAL clearly has a normative stance on the issue, they are regarded as one of the most reliable sources for factual information on reproductive health policy in the United States (McFarlane and Meier 2001).

The State-by-State Report on the Status of Women’s Reproductive Rights, published by NARAL for the last 13 years, scores states on thirteen different policy dimensions. The specific policies contained therein and the methodology for

constructing an indexed measure of the reproductive health policy environment will be explored in detail in the next chapter. For now, however, I will limit the discussion to the sources for the data used by NARAL in the creation of the *Report*. Data on access to reproductive health, including the prevalence of providers, is gathered from the Alan Guttmacher Institute from 1996 to 2000. Information on the behavior of state legislatures, including proposed and enacted legislation, is gathered by NARAL's in-house researchers, as well as through the Legislative Tracking Program at the Center for Reproductive Rights.¹¹

Limitations of This Study

Although I am confident that it will provide a rigorous contribution to the existing literature on nonprofit advocacy, the study proposed here also has limitations that warrant mention. First, as noted above, a large-N controlled comparison design has the advantage of allowing for empirical tests among competing explanations for nonprofit advocacy. The disadvantage of such a design, however, is its inability to match the ideographic nuance and context provided by a small-N qualitative design. I am careful to ensure throughout the dissertation that operational definitions match concepts of interest as closely as possible, but there is some divergence between concept and measure in this type of design.

An additional, but related, limitation of this research design also deserves mention. Namely, the NCCS data can tell us a great deal about what nonprofit organizations do and spend, which we can use to identify the environmental and

¹¹ The Center for Reproductive Rights is a legal advocacy group for reproductive health, similar in scope and stature to the environmental defense fund in the area of environmental policy.

organizational correlates of those activities. They cannot, however, tell us what nonprofit managers think or feel, or expose the exact causal relationship between the above mentioned factors and managerial decisions about advocacy. As noted above, there are clear advantages to the Large-N data driven analyses employed in this study, but those advantages are accompanied by limitations from which qualitative small sample studies may not suffer. Thus, the conclusions from this study should be seen as compliments to, rather than replacements for, the findings from these other types of research designs.

The third limitation of the study deals with the generalizability of findings regarding the motivation for political activity. As discussed in this chapter, the similarity between reproductive health/family planning providers and other Health and Human Service providers should help to ensure that results are generalizable to a relatively large proportion of 501(c)(3) organizations. I also noted previously, however, that readers should apply the findings to other types of 501(c)(3)s, including foundations, fund raising organizations, and others with caution.

Even within the realm of Health and Human Service providers, however, one additional caveat about generalizability is warranted. Specifically, the findings may be less applicable to those providers that do not have a clear policy relationship with government. In other words, if government policy does not target a particular service, either restricting or facilitating the delivery thereof, it is more difficult to argue that the provider of that service will be motivated to political action by the policy environment. Yet, it is difficult to imagine that many Health and Human Service providers fit this scenario. The mere presence of a government grant for a particular service signals the

existence of public policy that facilitates, but may also restrict, the delivery of that service. Nonetheless, findings here should be applied with caution to organizations for which the policy environment is of modest relevance.

CHAPTER IV

POLICY, POLITICS, AND NONPROFIT ADVOCACY

Introduction

This dissertation has suggested that advocacy activity among nonprofit service providers is best conceived of as strategic action by complex organizations. Borrowing from the literature on organizational strategy, I argue that strategy formulation is a two-stage decision whereby organizations adopt a general strategic stance based on environmental conditions and then select a set of strategic actions based on available organizational resources (Boyne and Walker 2004). Chapter II develops the argument that the decision to become politically active is a strategic stance adopted by NPOs and is, therefore, primarily driven by environmental features, while the choice among advocacy strategies is analogous to the choice of strategic actions, and is determined largely by organizational characteristics.

This chapter explores the first stage in the advocacy decision—the choice to become politically active. Rather than institutional and resource dependence explanations offered for such activity in the existing literature, I suggest that differences in the policy environment in which NPOs deliver services and variation in the political environments in which they must advocate should be the key predictors of political activity. Specifically, the chapter argues that advocacy is a strategic stance taken by nonprofit service providers when conditions in the policy environment threaten their ability to deliver services and that these organizations are more likely to adopt this stance in favorable political climates.

This chapter reviews the model of nonprofit advocacy put forth by existing studies before more fully developing the alternative expectations discussed above. It then puts general expectations regarding the impact of policy and politics within the context of the specific state-level policy and political environments in which these providers serve clients. Following this discussion, the chapter develops specific expectations about the relationship between these environments and the choice to become politically active. Finally, the chapter tests those expectations in analyses of 487 service providers in 2001.

Theory

The Traditional Model

The existing literature emphasizes institutional characteristics and resource factors as the primary explanations for advocacy by 501(c)(3) service providers. Institutional theorists suggest that significant actors within an organization's network such as funders, the public, state agencies, and professional associations develop and enforce normative rules for organizational behavior. Because of the established roles of these actors in society, those norms tend to be relatively conservative and moderate. According to institutional theorists, the more enmeshed that an NPO becomes within networks of these actors, the greater influence these conservative norms have over its behavior and the less likely that it is to engage in advocacy activity (DiMaggio and Powell 1991). Institutional explanations hypothesize that organizational size, the degree of staff professionalization, and the amount of advocacy undertaken by successful organizations in the NPO's immediate environment all influence the decision to become

politically active (Oliver 1991; Kramer 1994; Salamon 1995; LuBove 1965; Withorn 1984; Hall 1987).

As an alternative to these more traditional institutional approaches, recent scholarship on nonprofit advocacy suggests a contrary set of expectations regarding the impact of professionalization and organizational capacity. Berry (2003) agrees that the tax code poses a severe institutional constraint on nonprofit advocacy, but argues that within that constraint, organizations with greater financial and human capacity are more likely to advocate relative to smaller and less well developed NPOs.

Along with these conflicting institutional explanations, the traditional model of nonprofit advocacy includes the nature of the organization's resource base as a key predictor of political activity. From the resource dependence perspective, the dominant environmental constraint on the advocacy function is the threat that advocacy poses to the procurement of government funds (Cruz 2001). Manser, reflecting this perspective asserts that "an agency's freedom and effectiveness in social action or advocacy may be in inverse proportion to the amount of public money that it receives" (Manser 1974:421). Others draw causal links between the growing use of third sector organizations to deliver government services, the increasing reliance of those organizations on consistent sources of public revenue, and the greater acquiescence by NPOs to the demands of government funders (Wolch 1990). Taken together, resource dependence explanations suggest that, as the proportion of total revenue made up of government contracts and grants increases, the likelihood of an NPO engaging in advocacy activity decreases (See also Kramer 1985; Beck 1970).

An Alternative Model of Nonprofit Advocacy

In contrast to existing explanations for nonprofit advocacy, this dissertation suggests that the policy and political environments influence the decision by nonprofit service providers to become politically active. Advocacy is designed to affect public policy and secure collective goods for clients (Jenkins 1987; Salamon 1994), and not to change levels of professionalization within the organization or change the nature of the resource base. For this reason, I assert that the latter factors may *constrain* the advocacy function, but that they do not provide the *motivation for* political activity by nonprofit service providers.

The Impact of the Policy Environment. There is considerable evidence from both nonprofit managers and scholars that public policy is an important motivator of political activity. Previous qualitative studies of NPO advocacy confirm via interviews with executive and public affairs directors that policy motivates advocacy. Respondents in Berry's (2003) study offer "securing new government policies that benefit clients" and "protecting existing policies that benefit clients" as the most common reasons for lobbying (Berry 2003). Similarly, the administrators interviewed by Cruz (2001: 61) indicated that they advocate primarily to enhance their ability to "use the political system to pursue important social programs" and to "counteract" what they see as an increasing number of restrictive legislative proposals.

There is also evidence from the literature on interest groups in political science which suggests changes in public policy are a key motivator for political activity by previously inactive groups. Truman (1951:41) suggests that member and professional

organizations, such as the American Bar Association or the American Medical Association, choose to enter the policy battle and become “political interest groups” only in response to “threats from government institutions.” Truman argues that, for groups not formed explicitly for political purposes, lobbying legislators and other advocacy activities represent deviations from core missions, which will only be undertaken when *public policies* become sufficiently threatening to member benefits or organizational survival.

The Importance of the Political Environment. In addition to the policies that influence service delivery, NPOs assess the political environment in which they must advocate for change before becoming politically active. Although they are often conflated, the policy and political environments are distinct from one another and must be considered separately. For example, the same policy restricting the ability of an NPO to deliver “liberal” services could theoretically exist in a state where conservative values dominate in the citizenry and the legislature, in a state with a narrow conservative majority in the legislature but a large concentration of liberal citizens in urban areas, or in a state where the legislature has traditionally been controlled by conservative Republicans but has recently seen a shift in partisan control. In these examples, the policy environments are the same, but the political environments faced by an NPO attempting to influence policy are starkly different.

Two literatures provide the foundation for assertions about the importance of the political environment in advocacy decisions. First, scholarship on interest groups consistently argues that these groups are more likely to lobby friends. In other words,

groups spend the majority of their effort reinforcing the beliefs of elected officials and citizens that already agree with them and expend few resources trying to change the views of opponents (Milbrath 1963; Bauer, Pool, and Dexter 1963; Zeigler 1964). Austen-Smith and Wright (1994) challenge this longstanding conclusion, but subsequent research has demonstrated that their study is flawed in important ways and not adequate to discredit years of consistent findings (See Baumgartner and Leech 1996). Thus, the literature suggests that groups attempting to influence policy will be most active where the number of political allies is highest.

The broad and far reaching literature on rational choice in organizational decision-making (See Barnard 1938; Allison 1971; Frank 1994) also suggests that NPOs should be most active in politically favorable climates. As noted in the previous chapter, advocacy activity poses risks to NPOs in terms of loss of tax exempt status, loss of government funding, and the mobilization of political opponents. Rational choice theory argues that decisions among risky alternatives are based not only on the potential benefit of a positive outcome, but also on the perceived probability of success (von Neumann and Morgenstern 1947; Levy 1997). NPOs should anticipate a significantly higher probability of success in politically favorable environments and, thus, be more willing to take the risk of advocacy.

The Policy and Political Environments of Nonprofit Reproductive

Health Providers

A review of the distinct environments discussed above will help in the development of specific hypotheses concerning the advocacy activity of reproductive

health service providers. This section will briefly explore the state-level public policies that govern the delivery of reproductive health services and illustrate the divergent political environments that often produce like policy.

Policy. The policy environments faced by reproductive health providers have considerable variation along a number of dimensions. For the sake of parsimony, however, these myriad policies can be divided into two rough categories—those that facilitate the ability of NPOs to provide these services to clients and those that restrict the services or information that NPOs can deliver.¹²

Facilitative state laws are both constitutional and statutory. Courts in 15 states have ruled that their state constitutions provide more protections for reproductive choice than does the federal Constitution's penumbra protection of privacy rights. In thirteen of these states, the courts have ruled explicitly that the state constitution prohibits the removal of medically necessary reproductive health care from services covered by Medicaid.

There is also a small number of state-level statutes, both symbolic and substantive, that facilitate the delivery of reproductive health services. Seven state legislatures have openly declared their support for a woman's right to reproductive freedom. Fifteen states have laws that allow the public funding of abortions for the medically or categorically needy. Finally, fifteen states have enacted laws protecting reproductive health clinic personnel and clientele from verbal harassment and violence.

¹² The following information on state-level policies in 2001 is drawn from annual surveys conducted by the Center for Reproductive Rights (<http://www.crlp.org/>) and the Alan Guttmacher Institute (www.guttmacher.org). Results from the CRR surveys are available on their webpage, while the Guttmacher surveys are available only through the National Abortion Rights League (www.naral.org).

Current state laws that substantively or symbolically restrict the delivery of reproductive health services are greater in number. In terms of substantive policy, thirty-one states have enacted bans on late-term abortions, while 26 require that all women receive state-approved counseling and observe a mandatory waiting period before receiving an abortion. Nine states require that married women receive the consent of their husbands before terminating a pregnancy. Fifteen states prohibit public funds from being used to pay for any reproductive health services, and 6 prevent private insurers from paying for abortion services in the absence of an additional premium. Seventeen states have enacted laws that prevent employees of organizations receiving state monies from counseling women regarding the availability of abortion services. Texas limits the dissemination of contraceptives to minors, and several states restrict the access to “emergency contraception” for all women.¹³ Finally, twenty states require that reproductive health providers maintain and report aggregate patient information that is more detailed than information collected by other healthcare providers.

On the symbolic front, 7 state legislatures have openly declared a pro-life stance on reproductive health issues. Three states issue “pro-life” license plates, proceeds from the sale of which benefit clinics that do not provide a full array of family planning and reproductive health services, including abortions and contraceptives. Finally, several states have granted embryos and fetuses the same legal protections as mothers. Texas

¹³ The emergency contraceptive under debate in these states is sold under the name Plan B®, which the Food and Drug Administration’s Advisory Committee on Nonprescription drugs recently recommended be made available without a prescription.

has recently rewritten its State Child Health Insurance Rules (SCHIP) to extend coverage to fetuses upon conception.

Politics. Scholarly research on reproductive health in the American states suggests that ideology and interest group activity correlate in predictable ways with the policies discussed above. McFarlane and Meier (2001) argue for a relatively straightforward relationship where conservative legislatures and large numbers of religious adherents produce restrictive family planning policies. Thus, the authors suggest a relatively high correlation between politics and policy.

I suggest, however, that findings from McFarlane and Meier (2001) oversimplify the complex political environment surrounding reproductive health policies. The findings from their study are largely an artifact of their choice of dependent variables, which include state-level expenditures on family planning activities and the abortion rate, but only one actual reproductive health policy. Specifically, the authors model only the presence or absence of parental notification restrictions and suggest that the findings from a study of this individual policy can be used to predict the overall tenor of the reproductive health policy environment.

When the many policies that actually comprise that environment are taken into account, however, the correlation between politics and policy begins to erode. In 2001, the correlation between a widely accepted measure of state liberalism (Berry et al. 1998) and the most comprehensive index of state-level reproductive health policy (NARAL 2004) was only .33. Anecdotes from individual states reinforce the veracity of this summary finding. Illinois, a moderately liberal state, mandates counseling and waiting

periods for women seeking abortions, requires a husband's consent for pregnancy termination by married women, prohibits insurance companies from paying for abortion services under regular policies, and restricts the use of public funds for provision of reproductive health services. Alternatively, New Mexico, a politically conservative state with a high proportion of Catholics, lacks all of these restrictions except the last and allows the use of public facilities for all but a limited set of services.

Thus, reproductive health providers face distinct policy and political environments when they make decisions about political activity. I believe that, in this context, the latter is best conceived of in terms of levels of mass and elite liberalism. The interest group literature suggests that groups are more likely to lobby friends, or those that share their views, because they recognize the low probability of actually changing the opinions of political foes. In the case of NPOs they may be targeting advocacy activity at either legislators through direct lobbying or the public more generally through grassroots activities. In states where a large majority of these actors are very conservative, and thus opposed to the types of services provided by pro-choice reproductive health providers, the probability of changing opinions and influencing policy is quite low. The incentive for NPOs to spend scarce resources in such environments is, likewise, very small.

Hypotheses

The discussion presented above suggests a set of empirically testable hypotheses regarding the political activity of nonprofit reproductive health providers. First, it suggests that the likelihood of these NPOs becoming politically active increases as the

number of state-level policies restricting the delivery of reproductive health services increases. Second, because reproductive health services are generally favored by political liberals and opposed by conservatives, I expect that the likelihood of NPOs that offer these services advocating to change public policy increases as the political liberalism of a state increases.

Variables and Methods

Unit of Analysis

As noted in Chapter III, this dissertation tests assertions regarding the advocacy activities of not-for-profit organizations in an analysis of nonprofit family planning and reproductive health providers. This section briefly reviews the justifications offered therein for the choice of this particular type of provider.

I have chosen a particular segment of service delivery organizations to focus on for one important reason. To identify the policy and political context that a nonprofit organization functions in, it is first necessary to be able to identify the specific policies that an NPO is concerned with. By necessity then, I have to pick a specific type of provider to facilitate the identification of such policies. For example, it would be difficult to identify a single state-level policy that directly limited the ability of all human service delivery organizations within a state. However, it is easy to make the argument that a state law requiring parental notification for abortion and contraception provision will be of concern to all reproductive health and family planning service providers serving clients in that state.

The need to identify specific policies makes the selection of reproductive health/family planning service providers justifiable, but they are also an attractive choice because they are similar to other NPO service providers in many respects. They are a part of the sector of groups classified as Health/Human service, which make up over 43% of 501(c)(3)s. All health and human service delivery organizations, including family planning service providers, face formidable restrictions imposed by the tax code on their ability to undertake advocacy activity. Similar to other human service organizations, reproductive health NPOs face challenges in obtaining government funding, which has become an increasingly important part of their revenue over the past thirty years, and are heavily dependent on their tax exempt status for survival. Finally, family planning service providers share the same organizational structure—governed by boards, managed by Executive Directors, partially dependent on volunteer labor—as other human service organizations.

These factors should help to ensure that the findings from this study are generalizable to other organizations within this segment of the third sector. The results should also be generalizable to any NPO that provides services that engender political opposition and which may, therefore, face restrictive policy environments. These groups are, of course, myriad, including AIDS/HIV service providers, halfway houses, sex offender treatment centers, and other providers of service to convicted persons, homeless shelters, some mental health services, and numerous others.

Data

As noted in the previous chapter, data on the advocacy activities, expenditures, revenue, and personnel of nonprofit reproductive health service providers are gathered from the National Center for Charitable Statistics (NCCS) within the Urban Institute. The NCCS compiles these data from information on the Form 990, provided to the Internal Revenue Service by all 501 (c)(3) organizations with more than \$25,000 in annual revenue.

Thus, data analyzed herein include only those organizations that filed a Form 990 in 2001 and, as such, include no organizations that made less than \$25,000 in that year. I do not believe that this sample truncation biases or significantly detracts from the substantive import of the estimates discussed below for two reasons. First, truncation on an independent variable, in this case organizational size, does not violate the assumptions of standard logistic regression, which is the estimator used herein.¹⁴ The omission of the smallest organizations also should not be of significant concern because, due to the minimal amount that these groups are able to spend on advocacy, they are not the organizations that policy makers are likely to be concerned with. With all of this

¹⁴ One potential exception to this claim may arise if the causal relationship between the variable of interest (policy environment) and the probability of advocacy is fundamentally different in organizations that are in and out of the sample. More specifically, if the policy environment has a much larger impact on the smallest organizations due to some unmeasured variable associated with size, then the estimated impact of policy on larger organizations included in the sample might be artificially large. Fortunately, it is possible to test for a different data generating process in out of sample organizations using data from those that are in the NCCS data. If the size of the policy variable impact is considerably larger for the smallest in sample organizations, it may suggest that something important and unique is happening in organizations that make less than \$25,000 dollars. I test for this potential by including a multiplicative interaction between total revenue and the NARAL index in the model of advocacy activity. The measure is significant but indicates that the impact of the policy environment is actually greater in larger organizations. The substantive difference across the size variable is, however, essentially meaningless, with a one-standard deviation increase in revenue producing a .007 increase in the impact of the NARAL measure. I thank Gary King for the insight concerning potential bias and the suggestion of an appropriate test.

said, however, I wish to be clear that the sample used in subsequent analyses does not allow me to draw inference about the smallest of nonprofit service providers and emphasize that I am not attempting to do so.

Before moving on to a discussion of operational choices, I want to take a moment to discuss the potential for measurement error in the data and the impact on subsequent analyses. As noted in Chapter III, there is no scholarly evidence that nonprofit organizations *systematically* distort the information that they report to the Internal Revenue Service (IRS). Additionally, the ability of the IRS to investigate and sanction these organizations makes the likelihood of such behavior low. There is evidence, however, of arithmetic, omission, and attachment errors within the Form 990s, which seem to be spread uniformly across organizations of different sizes and which scholars have identified as random error (Krehely 2001). The NCCS has taken significant steps to identify and flag these errors, but nonetheless, it is highly likely that some random error remains the data.

This random error is unproblematic, however, for two reasons. First, such error creates additional noise in the model, which inflates standard errors and biases estimates toward the null. Thus, remaining problems with the data are likely to produce type II, rather than type I errors. The remaining error is also not troublesome because it can be dealt with, in part, through the selection of multiple dependent variables. As noted below, this chapter measures the concept of “political activity” with three distinct indicators drawn from different portions of the Form 990. It is highly unlikely that an organization made similar errors in three different places.

Variables

Dependent Variables. To test the proposed hypothesis, subsequent analyses include two models. The dependent variable in the first model is whether or not an organization has actually undertaken any type of advocacy activity. This is a dichotomous indicator coded 1 if an organization has undertaken education and public relations activities through grassroots efforts, collaborated with a 501 (c)(4) organization, directly lobbied legislators, or participated in any mix of these activities. The measure is coded 0 for all other organizations. This information is gathered from Part III, sections 6a and 6b of the Form 990. Of the 487 nonprofit reproductive health providers in the sample, 104 or 21.3% undertook some form of political activity.

The dependent variable in the second model denotes whether the organization has declared itself to be an “h-elector.” This is a designation that organizations can choose if they wish to announce their intention to be politically active 501(c)(3) organizations. The variable is coded 1 for those organizations that answer affirmatively in section III question 1 regarding the intention to influence legislation and provide information regarding advocacy expenditures in part 6a of the Form 990. All other organizations are coded as 0. Of the organizations in the sample, 16.1% designated themselves as h-electors.

Independent Variables. The primary independent variables in subsequent analyses reflect the two motivations for political activity discussed above. First, Truman (1951) suggests organizations choose to enter the policy battle and become politically active only when the threat from governmental institutions is sufficient to justify the

potential costs of such activities. To capture the policy context that an organization is functioning within, I include an index of state-level reproductive health policies created by the National Abortion Rights Action League (NARAL). NARAL is the preeminent national interest group concerned with reproductive rights and, although they maintain a clear ideological position on issues of reproductive freedom, the use of measures created by such groups is widely accepted in the study of American politics.¹⁵

The state scoring system developed by the NARAL is a weighted additive index of state-level reproductive health policies and provides the most comprehensive measure of the reproductive health policy environment within the states. The measure is available annually in a report published by the organization and entitled “Who decides: A State-by-State Report on the Status of Women’s Reproductive Rights.” The ultimate purpose of the report is to “grade” states on their reproductive health policies along 13 dimensions. “Grades” take on possible values of F to A. The variable included in subsequent models is a count ranging from a value of 1 for the most negative policy environment (F) to 12 for the most positive policy environment (A). I expect the measure to correlate negatively with probability of becoming politically active.

Policies included in the calculation of the grades are: bans on reproductive health procedures, bans on the dissemination of reproductive health information or counseling, consent requirements for young or married women seeking an abortion, mandatory waiting periods, protections for insurance companies or HMOs that refuse to cover or refer reproductive health cases, physician-only restrictions on the provision of abortions,

¹⁵ See for example studies using measures created by Americans for Democratic Action and the League of Conservation Voters.

public funding of abortions, extra-legal protections against clinic violence, and several others. The rankings also include several nonpolicy components including existing legislative declarations and constitutional provisions for or against access to reproductive health. Final grades for each state are an index created from numeric scores based on the existence and the extensiveness of each item listed above.

To clarify the grading scheme, I can draw a couple of examples from opposite ends of the scoring continuum. NARAL assigned Alabama a failing grade in 2001 because the state had bans on certain reproductive health procedures, mandatory waiting periods, a counseling ban, a physician only restriction, a public funding restriction, a restriction on minors' access to reproductive health, regulations for reproductive health service providers more stringent than those for other medical professionals, and no institutionalized protections against violence for reproductive health clients. Alternatively, California received an A because it did not ban any procedures or the dissemination of information, protected clinic patients against violence, publicly funded abortions and other reproductive health services, and offered more specific constitutional protections of a woman's right to choose than does the federal constitution.

In addition to the policy environment, measured herein using the NARAL index, I have argued that the political environment should influence the decision to advocate by nonprofit service providers. The interest group literature argues that groups are most likely to lobby their friends, and rational choice theory confirms that organizations will want to expend the resources on lobbying when they have the highest probability of success. Thus, I suggest that nonprofit organizations will be more likely to lobby in state

where there are more ideological allies for their position, creating a friendly political environment.

I measure the political environment using the indicator of state-level ideology created by Berry et al. (1998). I choose to employ the Berry et al. state-level measure of citizen, rather than government, ideology in subsequent models for two reasons. First, it is a more appropriate measure in the context of this study of nonprofit advocacy. The citizen measure estimates an average ideology score for each state and year using the actual ideology of House of Representative incumbents (gauged by their congressional roll call voting scores) and an estimated ideology score for election challengers. Both incumbent and challenger ideologies are weighted by the support they received in the general election. The activities counted as advocacy in this study include not only the direct contacting of legislators, but also grass roots lobbying designed to change opinions among the mass public. Because these political activities are targeted at both governmental and nongovernmental actors, I believe that the broadest measure of the “political environment” is preferable.

Second, I employ the citizen measure because it is a more direct and valid measure of state liberalism. The measure of government ideology does not calculate a different ideology score, but rather weights the citizen measure based on partisan factors. As a result, I believe that the government measure is prone to many of the same problems that accompany attempts to estimate the political environment using only party ID. For example, Georgia is assigned an intuitively plausible citizen liberalism score of 36 for the year 2002, suggesting that it was considerably more conservative than the

average state. In that same year, Republicans controlled the Governors Mansion and the Georgia state Senate, but Democrats controlled the House. Because of the weighting scheme employed in the calculation of the government liberalism measure, the state received a government ideology score of 72. In other words, according to that measure, Georgia was one standard deviation more *liberal* than the average state. This seemingly implausible finding leads me to doubt the validity of the government ideology measure and rely instead on the more transparent citizen liberalism score. This measure ranges from 0 to 100, with higher values corresponding to more liberal states. Thus, I expect a positive relationship between the measure of liberalism and the probability of undertaking political activity. The variable was originally calculated through 1995, but the measure has been updated through 2003 and is available from the Inter-University Consortium at the University of Michigan.¹⁶

Control Variables. In addition to key independent variables measuring the policy and political environments, subsequent models include variables designed to control for rival hypotheses posed in the existing literature on nonprofit advocacy. Traditionally, institutional theorists suggest that as organizations become more established, more professionalized, and more enmeshed within existing networks of funders and regulators they will be less likely to advocate. Alternatively, more recent scholarship emphasizing institutional characteristics suggests that higher levels of administrative capacity and professionalization actually increase the probability of advocacy (Berry 2003). To control for the potential influence of institutional factors,

¹⁶ Available at www.icpsr.umich.edu

whatever the direction, I include first an indicator of organizational size, measured as total annual revenue. I include two measures of professionalization including financial administrative capacity, measured as the percent of annual expenditures spent on the accounting function, and overall levels of staff professionalization, measured as the percent of total expenditures on full-time staff.

The theory of resource dependence argues that the more government funds that an organization receives, the less likely it is to participate in advocacy activity (Kramer 1985; Wolch 1990). There are, however, different types of government monies that each come with distinctly different restrictions and expectations. One must acknowledge these differences to comprehensively control for the potential influence of resource dependence. Thus subsequent models contain two measures of dependence, including the percent of total revenue that comes from government *grants* and the percent of total revenue that an organization receives from government *contracts*.

Methods

Because both dependent variables are dichotomous, I employ a logistic regression in subsequent analyses. I report robust standard errors corrected for clustering on state.¹⁷ As noted above, the truncation on the predictor variable of size does not violate the assumptions of this estimator.

¹⁷ These are calculated with the Huber/White estimator.

Findings and Discussion

Table 4.1 presents the findings from the analysis of whether or not an NPO reproductive health provider engaged in any political activity in 2001. The first column contains standard logit coefficients, while the second column contains the change in the predicted probability given a one standard deviation shift in the independent variable when the other predictor variables are held at their means. I will begin by discussing the primary variables of interest, which provide considerable evidence for hypotheses regarding the impact of policy and political environments on the decision to advocate.

The NARAL index of state reproductive health policy is significantly related to the probability of engaging in political activity and in the expected direction, as is the measure of state-level political ideology. The figures in the second column suggest that a one standard deviation increase in the restrictiveness of the policy environment is associated with a 0.05 increase in the probability of a nonprofit organization undertaking political activity. Similarly, a one standard deviation shift in liberalism is associated with a 0.04 increase in the likelihood that an organization will become politically active.

Turning to the variables suggested by existing theories of nonprofit advocacy, the findings appear somewhat inconsistent with theory. Interestingly, the findings do not provide consistent support for institutional or resource dependence explanations for political activity among NPOs. While the percent of revenue generated through government contracts is significantly related to the probability of an organization being politically active, it is not in the expected direction. Instead, the findings indicate that a higher reliance on government funds actually increases the probability of a reproductive

health provider being politically active. The findings also do not provide evidence for traditional institutional theories of advocacy, although they do support Berry's (2003) expectations. Financial capacity and organizational size as measured by total expenditures are also positively related to the likelihood of declaring an attempt to influence legislation. As the predicted probabilities indicate, the substantive impact for this variable is quite large, with a one-standard deviation increase in revenue correlating with a .14 increase in the likelihood of being politically active.

Table 4.2 presents the findings from the model analyzing an organization's decision to declare itself as an h-electoral. As with the previous table, the first column contains standard logit coefficients, while the second column contains the change in predicted probabilities. Again, the variables of interest measuring policy and political context are significant and in the expected direction. Looking at the second column, an increase of one standard deviation in the restrictiveness of the policy environment is associated with an increase of 0.04 of the likelihood that an organization will declare its intention to be politically active. Turning to the political environment, a one standard deviation increase in state liberalism is also associated with an increase of 0.04 in the probability of identifying as an h-electoral. As in the previous analysis, the findings do not provide consistent support for existing theories of nonprofit advocacy. The proportion of revenue comprised by government grants is associated with an *increase* in the probability that a nonprofit organization openly declare its intention to be politically active, which is contrary to the expectations produced by resource dependence theory.

Table 4.1 Determinants of Political Activity Among Nonprofit Reproductive Health Service Providers, 2001

Independent Variables	Unstandardized Coefficients	Δ in Predicted Prob.
Policy Environment	-.081*** (2.29)	-.05
Political Environment	.023*** (2.69)	.04
Government Contracts	1.718*** (2.89)	.04
Government Grants	.488 (1.36)	---
Staff Professionalization	-2.334 (1.56)	---
Administrative Capacity	-10.403 (0.99)	---
Total Expenditures	1.47e-07* (1.83)	.14
Constant	-2.452 (5.32)	---

N = 487

Wald $\chi^2 = 83.17$

Percent Correctly Predicted = 81.52%

Proportionate Reduction in Error (over modal category) = .192

Numbers in parentheses are z-scores calculated with robust standard errors corrected for clustering on state.

(*p>.05, **p>.001, ***p>.0001, one-tailed test)

Table 4.2 Determinants of Self-Designation as an H-elector Among Nonprofit Reproductive Health Service Providers, 2001

Independent Variables	Unstandardized Coefficients	Δ in Predicted Prob.
Policy Environment	-.068* (1.85)	-.04
Political Environment	.028*** (2.63)	.04
Government Contracts	.738 (0.70)	---
Government Grants	.852*** (2.47)	.03
Staff Professionalization	-2.838** (2.00)	-.04
Administrative Capacity	-27.491 (1.56)	---
Total Expenditures	1.34e-07* (1.75)	.09
Constant	-2.98 (5.22)	---

N = 487

Wald $\chi^2 = 40.41$

Percent Correctly Predicted = 84.19%

Proportionate Reduction in Error (over modal category) = .123

Numbers in parentheses are z-scores calculated with robust standard errors corrected for clustering on state.

(*p>.05, **p>.001, ***p>.0001, one-tailed test)

Findings regarding institutional explanations for advocacy are mixed, supporting both sets of expectations found in the literature. The size and capacity of the organization, as measured by total revenue, is positively and significantly related to the probability of self-identifying as an h-electoral, as Berry (2003) would expect. Alternatively, the proportion of expenditures on fulltime personnel is significant and negatively related to the probability of openly declaring political activity, which is what a traditional institutional story would suggest.

Conclusions

This chapter began with the argument that conditions in the policy and political environments motivate nonprofit service providers to undertake political activity. To test these assertions, I model the expressed intention to influence legislation, as well as actual participation in any of several types of advocacy. The findings from those analyses suggest that there are consistent relationships between policy and politics and the political activity of nonprofit service providers. Additionally, the analyses draw into question the usefulness of explanations for political activity offered by previous theories of nonprofit advocacy. Measures of institutionalization and resource dependence prove to be inconsistent predictors of measures of political activity.

The consistent influence of policy and politics on the decision to advocate, along with the inconsistent influence of organizational explanations, provides evidence for the utility of the theoretical approach to advocacy suggested by this dissertation. Drawing on recent work on organizational strategy, I have suggested that advocacy be conceived as a two-stage process where organizations first define broad goals in response to

environmental conditions and, second, choose among actions to implement those goals based on available organizational resources. More specifically, I argue that nonprofit service providers decide to advocate when the policy environment restricts their ability to deliver services and choose among specific advocacy activities based on levels of organizational capacity and the diversity of the resource base. The findings from this chapter confirm that the first stage of the process—the decision to advocate—is associated with the policy and political environments. They also indicate that it does not seem to be related to capacity or funding variables. The next chapter tests the assertion that these are, however, important factors in the second stage of the advocacy process—the choice among specific advocacy activities.

CHAPTER V

STRATEGIES OF NONPROFIT ADVOCACY

Introduction

Borrowing from previous scholarship on organizational strategy, this dissertation argues that strategy formulation is a two-stage decision in which organizations must first decide whether or not to undertake political activity through advocacy or lobbying and then choose among the set of strategic actions that are available to them. I suggest that the initial decision to advocate is a strategic stance taken by nonprofit organizations in policy environments that necessitate such activity and political environments in which they have a sufficient number of allies. Chapter IV tests these assertions and the findings suggest that there are consistent relationships between policy and politics and the political activity of nonprofit organizations.

In this chapter, I will explore the second stage of the decision-making process outlined above, where organizations must decide what specific activities they will undertake to achieve their desired political outcome. Boyne and Walker (2004) suggest that these *strategic actions* are those which will allow an organization to implement its *strategic stance*. In other words, once an organization determines that the environment in which it delivers services requires the strategic stance of advocacy, it must decide whether to engage in collaboration with a 501(c)(4) organization, grassroots lobbying, directly lobbying legislators or some combination of these activities. These are the primary activities available to NPOs for changing policies or opinion and securing collective goods (Jenkins 1987; Salamon 1994; Berry 2003).

Theory of Strategic Actions

According to Boyne and Walker (2004) there are three levels of strategy formulation. These include the selection of primary missions and objectives, formulation of broad strategies to address environmental constraints on those objectives, and finally the selection of specific actions in the implementation of those strategies. The authors suggest that the levels of the framework are hierarchical, with each necessarily preceding the next. The third stage, *strategic actions*, is the focus of this chapter. These are, according to these authors, “the specific actions that organizations may use to operationalize their stance” (Boyne and Walker 2004, 241). In other words, once an organization has decided that the environment necessitates a certain course of action (strategic stance), it must determine the specific activities that will help it to pursue that course most effectively. This section develops general theoretical expectations about the factors that determine the choice among strategies by organizations, before applying these insights to the choice of advocacy strategies by nonprofit service providers.

The strategic actions discussed by Boyne and Walker (2004) and the advocacy activities that are available to nonprofit service providers are similar to what the social movement organizations (SMO) literature refers to as *tactics* (McAdam, McCarthy, and Zald 1996; Jasper 1997; Dalton 1994; Tilly 1979). SMO scholars suggest that organizations have a varying repertoire of tactics available to them at any time (Tilly 1979), but that these groups do not typically use all of the tactics that are available to them. The literature outlines a set of resources and constraints that determine the selection of tactics among SMOs. I suggest that this scholarship, when combined with

insights from the literature on nonprofit organizational behavior, provides a useful framework for understanding strategic actions in NPOs.

The Social Movement Organization literature suggests that groups adopt a “strategy of actions,” which is constrained by resources, ideology, and the image that an organization wishes to portray (Dalton 1994). One of the most consistent features in studies of SMOs and protest groups is the assertion that group and member resources are powerful factors in decisions about tactics. Ennis (1987) argues that a group must choose a “field of action” that is not only consistent with its ideology and image, but also feasible given its financial and membership resource bases. Similarly, Meyer (1999: 30) argues that “with regard to resources, a well-endowed organization has more options for tactics than a poorly financed one.”

This literature also asserts that the *type* of resources to which an organization has access is an important predictor of tactic choice. The research on social movement organizations suggests that organizations that are heavily dependent on government monies are more likely to resist selecting tactics that might damage their funding relationships (McAdam, McCarthy, and Zald 1996). Groups with a diverse resource base, in contrast, appear less constrained to choose from the variety of available tactics.

The literature on SMOs also points out that, along with the differences in actual costs associated with different strategies, there are also different *opportunity* costs for each. Specifically, different tactics may alienate important funders to a greater or lesser degree and, therefore, have different consequences for the continued receipt of needed funds. Organizations in an SMO’s network develop rules of conduct and behavior that

help to define acceptable activities and, the more closely an organization adheres to these rules, the more likely it is to be able to mobilize constituents and resources, which in turn ensures the survival of the organization (Snow and Benford 1988).

The arguments concerning the choice of tactics among social movement organizations are similar to those made in the literature on behavior in nonprofit organizations. Specifically, scholars therein suggest that dependence on government resources constrains the behavior of NPOs that fear the loss of such funding (Beck 1970; Manser 1974; Kramer 1985; Wolch 1990). Additionally, previous work on nonprofits indicates that institutional norms, determined by organizational size, maturity, and professionalization also govern organizational behavior. As noted in Chapter II, there is some disagreement among scholars as to the direction of this relationship as it relates specifically to advocacy. Some scholars suggest a negative relationship with established organizations being unwilling to participate in political activity, while others suggest a positive relationship as increased capacity makes organizations more willing to engage in the policy debate (Berry 2003).

I have argued in this dissertation that these resource dependence and institutional explanations for NPO behavior are insufficient to explain advocacy activity in its entirety because they fail to take account of the political environment in which organizations deliver services. Indeed, the analyses in Chapter IV demonstrate that policy and politics have a consistent impact on the decision by reproductive health providers to become politically active, while these traditional predictors did not.

The purpose of this chapter, however, is to explore the choice among activities once an organization has already decided to become politically active. Thus, resource dependence and institutional theories of organizational behavior seem more intuitively applicable here, where the influence of the political environment has already been “controlled for” in the choice of an advocacy strategic stance. In other words, once an organization has decided to become politically active, it is reasonable to assert that it may choose among available actions based on type and availability of funding and institutionally determined norms and expectations. The insights from the large literature on tactics in social movement organizations reaffirm the plausibility of these relationships and further suggest that resources and institutional factors should be important predictors of advocacy activities.

Before generating specific hypotheses, I will review the specific advocacy activities or actions available to nonprofit service providers. The argument that resource and institutional factors may influence the choice among strategies rests on the assumption that these strategies have different costs. Thus, the subsequent review will emphasize the differences between advocacy activities in terms of actual and opportunity costs, including the potential loss of tax exempt status, government funding, and donor support.

Advocacy Tactics and Costs Associated with Each

Once an organization has decided that it will undertake advocacy the organization must decide among available tactics. An organization will, however, incur different costs or risks based on the activity or activities that it chooses. There are a

variety of costs or risks associated with advocacy that are unique to 501(c)(3) organizations and several that any interest group faces.

Grassroots lobbying includes the dissemination of materials and activities designed to garner public support; it is an attempt to influence policy by changing public opinion. Alternatively, direct lobbying activities are targeted at city, state, and national elected officials in an effort to compel them to take more actions that benefit the client groups of the nonprofit organizations. Finally, collaboration is defined as mutual agreements and exchanges of aid between service providers and organizations with similar missions or with missions targeted at protecting and benefiting the clients that the NPO serves. This activity often includes affiliating with 501 (c)(4) organizations, which are allowed to participate in direct lobbying without limitation. I rely heavily on Ried (1999) for these descriptions.

Scholarship suggests that each of these activities can pose a threat to the continued receipt of needed resources and may conflict with institutional norms of organizational maintenance. First, Berry (2003) suggests that the managers and directors of NPOs perceive advocacy to be a potential threat to their organizations' crucial tax exempt status. Additionally, there is a long-standing argument in the nonprofit literature that advocacy is costly to NPOs because it threatens the acquisition of government resources upon which these organizations have come to depend (Beck 1970; Manser 1974; Kramer 1985; Wolch 1990). These authors suggest that some of these organizations will advocate less aggressively to avoid the loss of government funding.

In addition, advocacy represents a departure from the core mission of these organizations. Facing perpetually limited resources, political activity often means a diversion of funds *away from* service provision, which is the *raison d'être* for these organizations (Boris and Krehely 2002). NPOs, including family planning/reproductive health service providers depend heavily on private donations and fee-for-service revenue for their survival. If excessive lobbying and policy oriented activity detract sufficiently from service provision, these funding streams may well be threatened. This in turn may make it difficult to stave off organizational entropy.

Interestingly, there is a large literature on interest groups that makes these same claims. Specifically, the studies concerned with organizational maintenance among membership groups suggests that lobbying and policy oriented activity are only two of the services that members expect from the groups that they join. If that activity sufficiently curtails the other benefits that members hope to receive, organizational mortality may occur (See Browne 1988; Olson 1965). Research of this type suggests that managers are rightfully preoccupied with organizational maintenance (Salisbury 1969). Similarly, they suggest that:

Organizational maintenance is a fact of life all group leaders confront. For the majority of interest group entrepreneurs, who depend on constituent dues as a prime funding source, maintenance dictates the need to keep members contributing. The key to creating a successful organization can be summarized simply: entice potential members to join, keep attrition below the rate at which replacements can be found, and establish a core membership. (Rothenberg 1988)

Institutional theories of nonprofit behavior suggest that as organizations become more established and professionalized it is these core mission and support retention functions that become most salient. In turn, activities that may detract from these functions, such as aggressive advocacy, may be curtailed (Hall 1987).

In addition to its consequences for tax exempt status, government funding, and organizational maintenance, advocacy is likely to produce additional political opponents for a service provision organization. At least, it is likely to galvanize those that already exist. In a recent symposium on nonprofit advocacy, Saidel (2002) argued that successful advocacy was particularly dangerous for these organizations, suggesting that NPOs who show the initiative and ability to influence policy will invite additional external scrutiny from opponents. If those opponents have a powerful voice in governmental decision-making, the author suggested that such organizations may experience a reduction in grant awards. Again, institutional theories of nonprofit behavior suggest that organizations will try to avoid such scrutiny when possible (Bernstein 1991).

Although all advocacy activities can pose risks to NPOs, not all available strategies are equally risky. As noted above, service providers, in this case family planning service providers, have a number of advocacy strategies from which they can choose, including creation of or collaboration with 501(c)(4) organizations, grass roots lobbying, and direct lobbying. This section will argue that these represent ascending costs for 501(c)(3) service providers because of the differing threats that each poses to the organization's tax exempt status and the continued receipt of government funding, as

well as the different levels of political exposure to critics and diversion of resources from other core activities that each entails.

Of the available advocacy strategies, affiliation with a 501(c)(4) is the least problematic. This is the strategy that the federal government suggests for those 501(c)(3) organizations that wish to lobby more than the law allows (Hopkins 1992). The government places limited restrictions on 501(c)(4)s, requiring only that they do not engage in openly partisan activities, but donations to these groups are not tax deductible. In *Reagan v. Taxation Without Representation* (1983), the Supreme Court ruled that the pursuit of advocacy activity through a 501(c)(4) was legal and could not threaten a 501(c)(3)'s tax exempt status. The court, and current IRS regulations, only require that (c)(3)s report a relationship with a (c)(4) on their form 990. Interestingly, these organizations can be imbedded within one another, with one staff person receiving two paychecks for (c)(3) and (c)(4) activities (Berry 2003).

Grassroots lobbying is the next most dangerous strategy for 501(c)(3) nonprofit organizations. Among scholars, these activities typically include the dissemination of political materials designed to garner public support, the education of citizens regarding policy, and activities that encourage citizens to contact legislators or administrators with their policy concerns (Cruz 2001). Other types of grass roots activities include mass mailings, rallies, and even demonstrations, all of which are targeted at shifting public support for the organization. The 1976 *Tax Reform Act*, capped the expenditure limits for these activities at 25% of the total amount of money that an organization spends on direct lobbying, but it *did not* precisely define those activities that can be paid for with

grassroots lobbying expenditures and those that cannot (Smucker 1999). Thus, there is no precise statutory definition of acceptable grassroots activities (Raffa 2000).

This ambiguity reduces the risk for those nonprofits that wish to carry out this type of activity. So long as they are careful not to exceed the expenditure cap, an IRS audit of a group's grassroots lobbying activities is unlikely to result in a revocation of its tax exempt status because it is difficult to determine from the language of the tax code which activities are prohibited. Most importantly, some of the executive directors who make advocacy decisions in these organizations are aware of the latitude within the law and exploit it to their advantage. One of the directors interviewed by Berry (2003) said that his group actively encourages citizens to contact legislators, but does not tell them to urge the legislator to vote in a particular way. Thus, they do not count this activity as grassroots lobbying. Another interviewee identified much of the activity that his group engaged in as "research and technical assistance" to those wishing to lobby the legislature, and argued that this did not fall under the purview of the 1976 regulations.¹⁸

If the ambiguous definition of grassroots activity in the tax code reduces the dangers associated with this strategy, it is the clarity concerning what constitutes direct lobbying that makes this the most risky of advocacy activities. The 1976 *Act* stipulated that an organization with an annual budget of \$500,000 or less could spend 20% of total income on direct lobbying. The proportion steadily decreases for organizations with

¹⁸ There is no evidence in the literature, nor any other reason to believe, that some types of organizations will systematically use these alternative classification schemes more than others. Thus, the degree to which NPOs take advantage of the ambiguity in the 1976 statute when reporting activities to the IRS constitutes random error in the dependent variable. The effect of this error should be to bias the findings toward the null and, thus, present a more demanding test of my hypotheses.

additional assets, setting the limit at 5% plus \$250,000 for those organizations with budgets of \$1.5 million or greater. The 1976 act continued to utilize the narrow definition of direct lobbying that had originally been articulated in the 1934 *Revenue Act*, which was the first congressional attempt to statutorily define NPO advocacy. The *Act* defined direct lobbying as the act of contacting elected officials in an attempt to influence policy (Smucker 1999). The changes to the law enacted in 1976 relaxed the limitations on direct lobbying slightly by identifying eight exceptions where NPOs could have contact with legislators and not have it count as lobbying, but remained clear about the activities that were limited by tax code restrictions on direct lobbying.

The precise definitions established in statute, along with the paper trail left during the process of making appointments with and meeting with elected officials, makes direct lobbying the easiest type of activity for regulators to observe. This means that direct lobbying poses inherently more risk to an organization's tax exempt status when compared to ambiguously defined grass roots activity. Additionally, direct lobbying of government is a higher profile activity that draws more attention to an organization than does grassroots activity or collaboration. This attention often serves as the impetus for attacks from other interest groups with opposing views (Boris and Krehely 2002). It may also provoke additional scrutiny from regulators and political opponents. One of the executive directors interviewed by Berry (2003) said plainly, "take a public position critical of a state agency and the next day you get an audit of your records" (Berry 2003, 74). Another, told of "irritating" Senator Phil Gramm in testimony before his committee and getting a visit from the Inspector General of the IRS soon

after. Finally, direct lobbying can be the most costly activity in terms of resources, whether human or monetary. In many cases, access to legislators requires more volunteer time, travel expenditures, and possibly the employment of a professional public affairs director.

Thus, I suggest that direct lobbying is the most open and aggressive strategy available to NPOs that choose to advocate and, as a result, brings the greatest exposure to the organization and poses the greatest threat to tax exempt status and the continued receipt of government monies. Alternatively, collaboration with a 501(c)(4) is the most passive and safest strategy available to these organizations.

If we conceive of advocacy strategies on a continuum from passive to aggressive, it is also possible to place organizations along that continuum based the number of strategies that they adopt. The interest group literature suggests that the most “successful” organizations, in terms of affecting policy, adopt multiple tactics (See Baumgartner and Leech 1996). When they are able to do so, politically active nonprofit organizations should also desire to take advantage of all the strategies available to them. In other words, an NPO aggressively attempting to change policy might lobby legislators directly, engage in a grass-roots education program designed to shift public opinion, and collaborate with a likeminded organization whose advocacy expenditures are unrestricted. The adoption of multiple strategies is not without cost, however, as each additional tactic brings greater exposure to the organization and may be perceived as an additional move away from core missions.

Hypotheses

The discussion presented above suggests a set of empirically testable hypotheses regarding the choice of advocacy strategies by nonprofit organizations. According to resource dependence theory and studies of social movement organizations, organizations that are more dependent on government resources will be less likely to undertake actions which create exposure or are critical of the government, lest they risk losing government largess. As such, I expect that organizations that depend of the government for a higher proportion of total revenue will be less likely to engage in aggressive advocacy tactics, such as direct lobbying. Additionally, I expect that organizations which receive higher proportions of their revenue from government contracts and government grants will be less likely to use the full range of advocacy tactics available to them.

Institutional theories of NPO and SMO behavior also suggest a relationship between organizational size and professionalization and the aggressiveness of advocacy activity. Traditional work argues that the norms of behavior in large and well established organizations will make them more focused on service delivery and organizational maintenance and less likely to undertake activity that will bring regulatory scrutiny that could jeopardize those goals. Thus, it suggests that larger and more professionalized organizations that choose to be politically active will be less likely to employ aggressive strategies such as direct lobbying and less likely to engage in multiple advocacy activities.

In contrast with the traditional literature, however, recent scholarship on nonprofit advocacy suggests that organizations that have more capacity,

professionalization, and administrative capacity are better able to understand the full array of advocacy strategies available to them, as well as the laws restricting these activities (Berry 2003). Such organizations will be more adept at filing expenditure reports, less fearful of the more aggressive tactics that are available, and more educated about the laws limiting advocacy. This line of reasoning suggests the alternative hypothesis that large and professionalized organizations will be more likely to engage in aggressive activities such as direct lobbying and more likely to use all available advocacy strategies. Because there is no conclusive empirical evidence favoring one institutional perspective over the other, I offer both as plausible explanations for the strategic actions of politically active NPOs.

Variables and Methods

Data

I test these hypotheses about the choice of advocacy strategies among NPOs that have chosen to become politically active in an analysis of nonprofit reproductive health service providers in 2001. As noted in the previous chapter, data on the advocacy activities, expenditures, revenue, and personnel of nonprofit reproductive health service providers are gathered from the National Center for Charitable Statistics (NCCS) within the Urban Institute. The NCCS compiles these data from information on the Form 990, provided to the Internal Revenue Service by all 501 (c)(3) organizations with more than \$25,000 in annual revenue. In addition, the information as to whether or not an organization chooses to collaborate with a 501(c)(4) organization, participate in grassroots lobbying, or to directly lobby legislators is found on the IRS Form 990. This

information was coded separately by the author for each organization in the data set. Data analyzed herein include Form 990 information from 2001.

Methods

Because the primary research question in this chapter asks, once an organization has decided to advocate, how does it choose among available advocacy strategies, a potential selection bias problem exists. In other words, some organizations have self selected out of the sample by choosing not to advocate. More importantly, the selection pattern is not random, but rather varies predictably with identifiable factors, such as the policy environment. Treating organizations that select out of the sample as missing will likely bias estimates for those organizations that do advocate, unless we take account of the information that we have on non-advocating NPOs and the reasons for their choice.

The appropriate estimator in such instances is a selection model. Because the dependent variables here are categorical, I employ a Heckman estimator that fits a maximum likelihood probit model with sample selection. The model takes advantage of information from the organizations not participating in advocacy to improve the estimates of the parameters and provide consistent, asymptotically efficient estimates for all parameters.

Variables

Dependent Variables. The dependent variables in subsequent models capture the aggressiveness with which nonprofit reproductive health service providers engage in advocacy. The sample in these models, and thus the measurement of the dependent variables, is limited to politically active organizations. The first measures aggressiveness

based on the relative risks posed by each individual strategy. As such, the variable is a dichotomous indicator coded 1 for those organizations that engage in direct lobbying and 0 for those organizations that restrict their activities to grass-roots lobbying or collaboration. The second indicator of aggressiveness captures the increased risks associated with the adoption of each additional advocacy strategy. This, too, is a dichotomous measure coded 1 for those organizations that employ all three available strategies and 0 for those that limit themselves to one or two tactics.

These indicators only correlate with one another at $r = .316$. Thus, I am confident that they measure different dimensions of the aggressiveness with which politically active nonprofit service providers pursue advocacy.

Independent Variables. The independent variables used in the analyses here are identical to those included in the previous chapter's models and this section offers only a brief review of those operational choices. The first stage of the Heckman models presented below, predicting the likelihood that an organization will be politically active, includes the significant predictors from the relevant model in Chapter IV. The second stage of the equation, modeling the choice among strategies for organizations that remain in the sample, includes all relevant predictors, including measures of resource dependence and institutional factors. Second stage models also include measures of the policy and political environments to provide a direct test of the argument made throughout this dissertation that the decision to become politically active and the choice among strategies are driven by different factors.

To measure the potential influence of institutional factors, whatever the direction, I include first an indicator of organizational size, measured as total annual revenue. I include two measures of professionalization including financial administrative capacity, measured as the percent of annual expenditures spent on the accounting function, and overall levels of staff professionalization, measured as the percent of total expenditures on full-time staff. Subsequent models contain two measures of dependence on government funding, including the percent of total revenue that comes from government *grants* and the percent of total revenue that an organization receives from government *contracts*. Models contain the NARAL index of state-level reproductive health policies as an indicator of the policy environment in which these organizations deliver services. They also include the measure of state government ideology developed by Berry et al. (1998) as a measure of the political environment in which service providers will be engaging in advocacy.

Findings and Discussion

Tables 5.1 and 5.2 present the findings from the first and second stage of the selection models respectively. The first table contains models of the determinants of political activity among nonprofit reproductive health providers, which are similar to the commensurate model in Chapter IV. The second stage models explore the factors that influence strategy choice among politically active groups, with the model of high risk strategy adoption in the first column and the model of multiple strategy adoption in the second. The tables are presented together because, in some cases, the interpretation of the findings is enhanced by examining both simultaneously.

Table 5.1 First-Stage Selection Equations for Models of Strategy Choice Among Nonprofit Reproductive Health Service Providers, 2001

Independent Variables	Model 1 Strategy Aggressiveness	Model 2 Number of Strategies
Policy Environment	-.039** (2.32)	-.038** (2.33)
Political Environment	.013*** (2.76)	.013*** (2.65)
Government Grants	.358* (1.77)	.380* (1.82)
Government Contracts	1.231*** (3.44)	1.256*** (3.84)
Total Revenue	6.27e-08*** (2.44)	6.26e-08*** (2.45)
Constant	-1.540 (5.89)	-1.551 (6.09)

z-scores in parentheses calculated with robust standard errors corrected for clustering on state.
(*p>.05, **p>.001, ***p>.0001, one-tailed test)

Table 5.2 Second-Stage Equations for Models of Strategy Choice Among Nonprofit Reproductive Health Service Providers, 2001

Independent Variables	Model 1 Strategy Aggressiveness	Model 2 Number of Strategies
Policy Environment	-.070 (1.30)	.006 (0.13)
Political Environment	.008 (0.56)	-.009 (1.19)
Government Grants	.559 (0.65)	-.602 (1.01)
Government Contracts	-1.332* (1.71)	-1.513*** (2.45)
Staff Professionalization	-.917 (0.45)	.374 (0.31)
Administrative Capacity	-35.661* (1.75)	-5.906 (0.37)
Total Revenue	1.56e-08 (0.61)	3.32e-09 (0.09)
Constant	1.140 (1.01)	1.479 (3.12)
	N = 487 Censored = 383 Wald $X^2 = 14.44$ Prob> $X^2 = .044$	N = 487 Censored = 383 Wald $X^2 = 18.51$ Prob> $X^2 = .009$

z-scores in parentheses calculated with robust standard errors corrected for clustering on state.
(*p>.05, **p>.001, ***p>.0001, one-tailed test)

The first variables of interest are the measures of the policy and political environments. Both fail to reach statistical significance in the models of strategy choice, while both are strong predictors of the likelihood of becoming politically active.¹⁹ This finding provides evidence for the general argument, made throughout this dissertation, that the choice to become politically active and the choice among advocacy strategies are distinct and driven by different factors. The policy environment in which an organization delivers services and the political environment in which it must advocate help to determine whether or not it engages in political activity. Once it has made that choice, however, it appears as if these environmental factors no longer have a significant impact on the specific tactics which the organization employs in pursuit of its strategic stance.

I turn now to the individual second-stage models. The findings in the first column of Table 5.2 suggest that institutional and resource factors help to determine the likelihood that an organization will choose the most aggressive individual strategy—direct lobbying. The measure of financial or accounting capacity is significant at the .05 level on a 1-tailed test and in the expected direction, indicating that as organizations become more professionalized they are less likely to directly lobby legislators. The baseline probability for adopting this strategy is .357, but a one standard deviation increase in the professionalization measure reduces this probability to .240. Organizations that are two standard deviations above the mean on this indicator have a

¹⁹ The coefficients across the first stage equations are slightly different due to the differing shapes of the likelihood functions in the second stage models, but, as Table 1 indicates, the substantive findings are identical.

.148 probability of directly lobbying legislators, indicating a greater than 50% reduction in the likelihood of adopting the most aggressive tactic.

This finding provides some evidence for a traditional institutional theoretical story, where professionalized organizations focus more heavily on service provision and organizational maintenance. The models in Chapter IV suggested that these factors did not make NPOs any more or less likely to become politically active. It appears, however, that among organizations that do engage in the policy debate, those that are more professionalized may limit themselves to less aggressive strategies. This conclusion must, of course, be drawn cautiously in light of the fact only one of the two measures of professionalization proved to be a significant predictor.

The results from the first model also suggest that increased dependence on government resources among nonprofit reproductive health providers has an impact on the likelihood of adopting aggressive advocacy strategies. The measure of government contracts is negative and significant, indicating that as the percent of total revenue generated by providing services for the government increases, the likelihood of directly lobbying legislators for policy change decreases. A one standard deviation increase in the measure of contracts reduces the probability of adopting the most aggressive strategy from .357 to .287. Those organizations that receive the majority of their revenue from government contracts have only a .15 probability of undertaking direct lobbying.

Turning to the model of multiple strategy adoption, the measure of resource dependence is again significant and in the expected direction. As the percent of total revenue from government contracts increases, the findings suggest that the likelihood of

employing all three available advocacy strategies decreases. The baseline probability of an organization engaging in direct and grass-roots lobbying, as well as collaborating with a 501(c)(4) is .276. A one standard deviation increase in the percent of total revenue garnered from the provision of government contracts reduces that probability to .214. Organizations that rely on such activities for a majority of their revenues have less than a .10 probability of using all available advocacy tactics.²⁰

The consistent findings regarding the negative impact of government contracts on the choice of advocacy strategies accord well with resource dependence theories from the nonprofit and social movement organization literatures. They are an almost perfect fit with Kramer's (1985) concept of "vendorism," which suggests that NPOs increasingly find their primary role to be the contracted provider of government services and that this relationship often results in the "cooptation and dilution of advocacy activity" (Kramer 1985: 380).

The negative relationship between resource dependence and aggressiveness of advocacy is not the whole story, however, and here a simultaneous consideration of both stages of the selection model is useful. Doing so suggests that resource dependence has *opposite* effects, depending on the stage of the advocacy decision. Referring back to

²⁰ In order to test the robustness of the findings to different operational choices, I also analyzed the likelihood of adopting the least risky strategy and the fewest number of strategies. In the first of these models, the dependent variable took on a value of 1 if an organization engaged only in collaboration with a 501(c)(4) and 0 otherwise. The dependent variable in the second model was coded as a 1 if the NPO adopted only one available strategy and 0 otherwise. Model 2 included the same Stage 1 and Stage 2 predictors as the model that appears in the text. The first model required a reduced form to converge, however, and included all Stage 1 and Stage 2 predictors except government grants. The substantive findings in Stage 2 of both models changed in a predictable manner given the different coding of the dependent variables. They suggest that the larger proportion of revenue that an organization receives from government contracts, the more likely it is to adopt only the least risk strategy of collaboration ($p > .01$) and the more likely it is to adopt only one of the available advocacy strategies ($p > .05$).

Table 5.1, the findings indicate that the percent of total revenue garnered from government contracts, as well as the proportion of revenue made up by government grants, are both positively related to the probability of a nonprofit reproductive health provider becoming politically active. Yet, once they have made the decision to do so, the degree to which these organizations are dependent on government resources correlates negatively with the aggressiveness of the political strategies they adopt.

These mixed findings may help to explain an anomaly in the nonprofit literature concerned with resource dependence. As noted above and in previous chapters, theoretical studies have long asserted that increased reliance on the government as a revenue source decreases their willingness and/or ability to criticize government. Recent empirical studies of advocacy activity have not, however, demonstrated a relationship between resource dependence and advocacy. Both Cruz (2001) and Berry (2003) conclude that there is no relationship between government funding and political activity for the organizations in their samples. The findings from this chapter suggest that these null findings may be due to the failure of previous studies to distinguish between the two stages of the advocacy decision for nonprofit organizations.

Conclusions

This chapter began with the assertion that, once an organization made the decision to undertake political activity, it must decide among available advocacy strategies. More specifically, I argue that the decision among tactics is dependent on resources and institutional influences. To test these arguments, I model the decision to

undertake aggressive political activity such as direct lobbying, as well as the decision to undertake multiple advocacy strategies.

The findings suggest that there is a relationship between government monies and a decrease not only in the aggressiveness of advocacy but also in the use of multiple advocacy strategies. As noted above, this is in keeping with the expectations offered in the resource dependence literature. The results suggest only a tenuous relationship, however, between institutional variables such as professionalization and the decision on how aggressive an organization will be in their choice of strategies. To the degree that this finding supports a theoretical story, it provides evidence for the traditional institutional approach to nonprofit behavior, rather than the more recent theoretical expectations offered by Berry (2003).

Throughout this dissertation, I have argued that recent work from organizational strategy suggests that the advocacy decision made by nonprofit organizations is a multi-stage process. This chapter provides evidence for this assertion, in that the relationship between the policy and political environment, while related to the decision to undertake advocacy is not associated with the choice among available strategies. Similarly, the analysis here suggests that dependence on government resources has two opposing effects on organizations, depending on whether they are deciding to become politically active, or choosing the strategy or number of strategies that they will employ. These findings may clarify some of the mixed findings in previous studies which do not model the difference between the decision to advocate and the choice among strategies.

CHAPTER VI

CONCLUSION

Introduction

The nonprofit sector is large and varied, consisting of numerous organizations that provide almost an endless array of service and activities. What distinguishes these organizations is that their primary goal is not making money or implementing public policy. While they do have to generate funds to survive, this is done in an effort to provide services to a typically underserved portion of the population. Similarly, while these organizations often provide such services for governments, they are autonomous and enter into these relationships voluntarily. These characteristics place nonprofit organizations in a separate third sector, which fills the space between the for-profit and governmental sectors of society.

This arrangement generates a relationship between the sectors; particularly the governmental and nonprofit. The former provides extensive resource support to nonprofit service providers. All of these organizations receive indirect benefits such as tax exemptions, which are crucial to their survival. Many others are directly dependent on government for the resources that allow them to carry out their activities through “fee for service” arrangements such as Medicaid and Medicare.

The relationship is not, however, completely harmonious. Governments use the tax exempt status of nonprofit organizations, as well as their prominent role as contractors, as a justification for limiting the autonomy of these groups in the political sphere. In response to concerns that tax exemptions amount to a government subsidy of

certain interests, which advantages them over others, legislators have constrained the amount and types of political activity in which tax exempt organizations can participate (Jenkins 2001). Violations of these regulations can have serious consequences for the viability of NPOs. Additionally, research suggests that the managers of these organizations often misunderstand the regulatory environment and, thus, overestimate the degree to which their political activity is limited by government (Berry 2003).

Despite these constraints, however, some nonprofit organizations continue to participate in the policy debate. In fact, data from the National Center for Charitable Statistics suggest that almost a quarter engage in some type of political activity. It is this dimension of the confluence of the governmental and third sectors in which I am interested. More specifically, it is a desire to better understand the political activity of nonprofit organizations within the context of their carefully regulated and sometimes highly dependent relationship with government that has motivated the research questions in this dissertation.

Understanding the ways in which nonprofit organizations engage in the policy process is important for a number of reasons, not least of which is the rapid growth in both the size and potential political impact of the third sector in recent years. Although there is no exact count of the nonprofit organizations, a conservative estimate suggests that there were 1.2 million 501 (c)(3) and (c)(4) organizations in the 1990s (Salamon 2002). Approximately 11 million paid employees (7% of the U.S. workforce) and 5.7 million fulltime volunteers labor in this sector, with employment concentrated in the fields of health (43%), education (22%), and social services (18%). Third sector

revenues increased by 144% after adjusting for inflation between 1977-1997 and the number of 501 (c)(3) and (c)(4) organizations registered with the IRS increased by 155% during that same period (Salamon 2002).

Understanding the political activity of NPOs is also important because of the substantive impact on politics, policy, and clients. DiMaggio and Anheier (1990) suggest that NPOs are sources of diversity and innovation. They increase pluralism by serving as organizations of influence outside of the state, which are able to provide vehicles through which disenfranchised groups may organize. These scholars also note the importance of nonprofit organizations in politically sensitive policy arenas. Salamon (1999) argues that NPOs provide a bridge between the failure of the market systems to provide collective goods and the limited ability of a democratic society to comprehensively address such market failures (Salamon 1999). According to the author, nonprofit organizations emerge to fill this gap.

The citizens whose needs fall within this gap between what the market and government will produce are often the most politically, as well as economically, impoverished. Thus, when nonprofit organizations become politically active, it is this group of politically inefficacious actors whose interests they represent. Understanding this representation function is arguably the most important reason to study nonprofit advocacy, and it is the intellectual spark that has ignited most previous studies in this area.

Previous Scholarship

There is a small but quickly growing literature investigating the political behavior of nonprofit organizations. Under the broad headings of collaboration, grassroots and direct lobbying, scholars have recognized that advocacy can include public education, public relations, research, mobilization efforts, agenda setting, lobbying, monitoring legislative or bureaucratic activity, and even participating in a variety of election activities (Reid 2000). The body of scholarship has studied such activity at different levels of government and in different policy arenas. Scholars have noted that the amount of advocacy activity seems to be increasing over time and that such activity can have meaningful influence on the behavior of legislators, as well as on policy outputs.

A smaller group of studies has asked questions about NPO advocacy that are more directly germane to my research interests. Namely, why do some organizations choose to engage in political activity despite the consequences and the fact that advocacy is not their primary mission? In answering that question, scholars have suggested that NPO advocacy is a function of strategic choices by managers, the characteristics of institutional structures, and the nature of organizational resources.

A strategic choice perspective on nonprofit advocacy assumes that these organizations are capable of adapting to and altering events in the external environment (Ansoff 1979; Koteen, 1989: 108-109; Ring, 1989: 67). This perspective relies heavily on organizational leadership as a primary explanatory factor for organizational decisions concerning advocacy. If organizations do not advocate, it is because the failure of

managers to align internal capabilities with external forces leaves them unable to counter environmental threats and exploit environmental opportunities (Hay 1990; Ring 1989).

As an alternative to strategic choice an institutional perspective suggests that significant actors within an organization's network such as funders, the public, state agencies, and professional associations, develop and enforce normative rules for organizational behavior. Because of the established roles of these actors in society, those norms tend to be relatively conservative. Close adherence to these rules increases the probability of survival and, thus, organizations that survive tend to be those that meet dominant social expectations.

Along with strategic choice and institutional theories, there are studies that adopt a resource dependence explanation for nonprofit advocacy. From the resource dependence perspective, the dominant environmental constraint on the advocacy function is the threat that advocacy poses to the procurement of government funds (Cruz 2001). A growing dependence on government funding among voluntary organizations may constrain advocacy activity because, as public funding becomes more central to organizational survival, nonprofits become more acquiescent to the demands of government (Wolch 1990).

Although both institutional and resource dependence theory offer intuitively plausible explanations for nonprofit advocacy, this dissertation was motivated in part by the fact that recent research has offered little empirical support for either. Rather than advocacy being carried out by small and loosely organized groups with few normative ties to funders and professional organizations, as institutional theory would suggest,

Berry (2003) finds that the opposite is true. The author suggests that large organizations with sophisticated accounting capacity are more likely than small, less differentiated organizations to advocate because they can play a financial “shell game” that obscures the actual extent of lobbying.

Current research also suggests that longstanding and sometimes highly dependent financial relationships with government do not necessarily suppress the advocacy function. Berry (2003) finds a mobilization effect where previous government-initiated contacts are an important predictor of further political activity by the nonprofit and suggests that other forms of dependence on government resources have little or no impact on the decision to lobby. Cruz (2001) offers a similar conclusion. In her study, NPO managers and directors whose organizations depended on governmental sources for much or all of their incomes were just as likely to engage in advocacy as those that took almost no government funding.

A Review of This Study

In an effort to address the inconsistent findings regarding the motivations for nonprofit advocacy and provide some additional insight into this important activity, I offer a theoretical approach which integrates previous theories within a decision-making framework. It argues that the decision to advocate is a strategic response to conditions in the policy and political environments in which NPOs deliver services and that the content and character of that response are highly constrained by available resources.

Specifically, I develop the argument that nonprofit service providers decide to advocate when the threat from government institutions to their ability to deliver core

services is sufficient to justify engaging in political activity and when they perceive the highest probability of success. Once an organization has decided to undertake some level of advocacy, its choice among the particular tactics for changing policy depends heavily on the level and nature of human and financial resources that it possesses. Because third sector organizations interact with external actors and depend on those actors for their survival I conceive of advocacy as strategy formulation in an open system.

The argument that strategy formulation in complex and open organizations is a multi-stage process is borrowed from the literature on public management. Boyne and Walker (2004) argue that there are three levels of strategy formulation. These include the selection of primary missions and objectives, formulation of broad strategies to address environmental constraints on those objectives, and finally the selection of specific actions in the implementation of those strategies.

After selecting a domain, Boyne and Walker (2004) suggest that organizations must assess environmental conditions to determine an appropriate *Strategic Stance*. This, according to the authors is the “broad way in which organizations seek to extract needed resources from the environment” (Boyne and Walker 2004, 240). When determining its *stance*, the organization interprets signals from the environment to decide on a course of action that ensures organizational survival and success (See also Rubin 1988). After setting these general goals in response to environmental conditions, Boyne and Walker (2004) argue that organizations must choose a set of *Strategic Actions*. These are, according to the authors, “the specific actions that organizations may use to operationalize their stance” (Boyne and Walker 2004, 241). In other words, once an

organization has decided that the environment necessitates a certain course of action (strategic stance), it must determine the specific activities that will help it to pursue that course most effectively.

From this theoretical framework, I arrive at two separate but interrelated hypotheses. The first suggests that nonprofit service providers decide to advocate when the threat from government institutions to their ability to deliver core services is sufficient to justify engaging in political activity and when they perceive the highest probability of success. The second hypothesis argues that once an organization has decided to undertake some level of advocacy, the choice among the particular tactics for changing policy depends heavily on the level and nature of human and financial resources that it possesses.

Chapter IV presents an analysis designed to test the first of these hypotheses. The findings from that analysis suggest that there are strong and consistent relationships between policy and politics and the political activity of nonprofit service providers. In states with more restrictive reproductive health policy environments, nonprofit organizations that provide these services are more likely to engage in advocacy activity. They have a significantly higher probability of collaborating with a 501(c)(4) or engaging in direct or grassroots lobbying activity in such states. They are also more likely to openly declare their intention to enter the political arena by designating themselves as an h-electoral on the IRS Form 990. The findings also suggest that, even when controlling for the policy environment, 501(c)(3)s are more likely to do each of these things in states where they have a larger number of political allies.

The analyses presented in Chapter IV also draw into question the usefulness of explanations for political activity offered by previous theories of nonprofit advocacy. Measures of institutionalization and resource dependence prove to be inconsistent predictors of the probability of engaging in advocacy and the likelihood of claiming an h-electoral designation. Interestingly, the amount of monies received by an NPO from governmental sources is positively correlated with the probability of advocacy, which is contrary to expectations generated by resource dependence theory.

Chapter V presents a test of the second hypothesis by analyzing the factors that influence advocacy behavior in that subset of organizations that have made the choice to become politically active. The findings from that analysis suggest that there is a relationship between government monies and a decrease not only in the aggressiveness of advocacy but also in the use of multiple advocacy strategies. Interestingly, this finding is consistent with the expectations offered in the resource dependence literature. The results suggest only a tenuous relationship between institutional variables and decisions regarding organizational aggressiveness in the choice of advocacy strategies.

Theoretical Contributions

The work presented herein offers a theoretical contribution to not only the scholarship on nonprofit organizations, but also to the broader literature in political science. Political science scholars have virtually ignored 501(c)(3) organizations, tending to focus their research on traditional lobbying organizations. Most of this research has focused on Washington D.C. based organizations, which are predominantly 501(c)(4) organizations, typically assuming that 501 (c)(3) organizations are politically

inactive or ineffectual. While this dissertation cannot answer questions about the impact of nonprofit advocacy, it does address the assumption that NPO service providers are not active players in the policy process. It demonstrates that they are and that advocacy activity is often a direct and logical response to the policy environment in which these organizations exist. Given that large 501(c)(3)s in my sample spend millions of dollars annually in an attempt to shape those environments, it seems that political scientists that ignore the third sector might be ignoring a potentially large player in the policy process.

This dissertation contributes to the literature on nonprofit organizations because scholars in that field have tended to focus on the constraints rather than the motivations for advocacy. Alternatively, I argue that, because nonprofit organizations function in an environment shaped in part by governmental decisions, they must pay attention to the political and policy environments and how the two will affect them. In other words, while recognizing that organizational resources and norms may limit the ability to advocate, I suggest that the policy and political environments serve as the primary motivation for political activity among nonprofits. These organizations are not just passive actors in the political process, but rather are capable of actively responding to government actions and savvy enough to know where attempts to change policy are likely to be most fruitful.

In addition to suggesting the importance of political variables for understanding advocacy, this dissertation may also help to clarify the mixed findings generated by previous theories of nonprofit advocacy. One of the main themes of this dissertation is that there is confusion as to the effects of institutional structures and resource

dependence on the decision of nonprofits to undertake advocacy activities. As an example, theoretical works suggest that nonprofit reliance on government funds creates a relationship in which nonprofit organizations will limit their advocacy role (Beck 1970), but recent studies have found little support for resource dependence theory (Cruz 2001; Berry 2003).

One potential reason for these mixed findings is that scholars have treated advocacy as a monolithic strategy rather than a multi-stage decision process. Alternatively, this study applies the ideas of strategy formulation developed by Boyne and Walker (2004) and posits that advocacy is actually a two stage decision. With this multi-stage approach in mind, it is not surprising that a dependence on government resources would emerge as an important predictor in some studies and insignificant in others. If scholars are asking about the decision to be political, then the findings from this study suggest that resource dependence offers little predictive accuracy. Alternatively, if they are inquiring about the aggressiveness with which NPOs pursue such activity, the theory seems to provide substantial leverage.

Directions for Future Research

As is typically the case, this research invites as many questions as it answers and suggests that there is room for considerably more research on the topic of nonprofit advocacy. First and foremost, I would suggest that research should delve further into analyzing the role that government resources play in the decision of a nonprofit to participate in advocacy. My research suggests that organizations receiving more funds from government are more likely to be politically active, though less likely to employ

aggressive strategies. This may be because organizations that receive government funding have a vested interest in agitating enough to ensure that the money keeps flowing, but are, at the same time, cautious not to engage in political activity that could jeopardize lucrative relationships with government. Testing the veracity of this assertion could help to add considerably more nuance to predictions about the relationship between resource dependence and nonprofit advocacy.

An additional avenue for research arises out of authors' assertions that politically savvy nonprofit organizations are capable of playing a financial shell game by diverting fungible resources into advocacy type activities. Many organizations readily admit that they provide certain services that are not direct or grassroots lobbying, but that researchers in the field would most likely classify as advocacy. An in-depth survey and additional analysis of the IRS Form 990, would provide additional information on these types of activities and should be the next step in understanding how politically active NPOs attempt to benefit clients and influence policy.

While nonprofit organizations are limited in their ability to lobby both as a grassroots effort and directly influencing legislators, they are not limited in their ability to lobby or monitor bureaucracies. Scholars have long recognized that bureaucratic actors enjoy significant discretion and exercise substantial influence in the implementation of policy. More recent work has also demonstrated that bureaucratic agencies have a meaningful impact on policy formulation as well. Thus, understanding how nonprofit organizations interact with these agencies could contribute to our understanding of both policy outcomes and outputs.

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