VOLUNTEERS WELCOME! ASSESSING THE LEGITIMACY OF NONPROFIT SOCIAL VENTURES (INTERACTIVE PAPER)

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VOLUNTEERS WELCOME! ASSESSING THE LEGITIMACY OF NONPROFIT SOCIAL VENTURES

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Principal Topic

Institutional theory emphasizes the importance for organizations to conform to established rules, norms and regulations in order to remain legitimate and survive within their institutional environment. Legitimacy is understood as a “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995, p.574).” The literature agrees on three general types of legitimacy: regulatory, cognitive, and normative legitimacy (Zimmerman & Zeitz, 2002). We investigate whether the reliance on commercial income threatens the normative legitimacy of NPOs. Because legitimacy is usually judged by actors external to the organization, we propose that normative legitimacy can be assessed by the ability of NPOs to attract volunteers. Specifically, we hypothesize that commercial activities that are clearly related to NPOs’ social missions are positively related to normative legitimacy. That is, these kind of commercial activities relate to a higher incidence of volunteer labor. On the other hand, we hypothesize that commercial activities that are unrelated to NPOs’ social missions exhibit a negative relationship with normative legitimacy. Finally, we hypothesize that unrelated commercial activities negatively moderate the positive relationship between related commercial activities and normative legitimacy.

Methods

The sample for this study consists of 2,167 NPOs in the human services industry across the U.S. for the years 2009 to 2013. The data was obtained from tax Form 990 that NPOs are required to file with the IRS each year. The average number of volunteers in the sample is 1,032 volunteers. On average, the sampled organizations generated 58% of their revenue from commercial income.

Results and Implications

Regression results support our hypothesized relationships except for the moderating effect. Contrary to our assertions, preliminary results suggest that simultaneously engaging in related and unrelated activities is associated with a higher number of volunteers. Attracting volunteer labor is an important task for most NPOs. Volunteers not only help in carrying out the day to day activities of the organization, but their willingness to devote their time to a specific NPO also signals the legitimacy of the organization to other stakeholders. We contribute to the social entrepreneurship literature by testing theoretical arguments regarding the effects of commercial activities on NPO legitimacy.

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