

Nonprofit sector assignment 2



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Nonprofit sector: U. S. Nonprofit organization and theories Affiliation

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The great diversity of organizational forms and activities in the nonprofit sector, be it in U. S. or elsewhere has posed a great challenge in trying to understand these institutions. Understand what the variety of terms used in these organizations mean can be daunting too. Words like charities, nongovernmental organizations, voluntary sector, nonprofit sector, tax-exempt sector, philanthropy and association sector is sometimes difficult to understand (Salamon & Anheier, 1997). This paper seeks to address the ambiguity of these words, by discussing the management approaches and styles that have been developed by various scholars. The theories that will help understand the nonprofit sector include Lohmann (1989) theory of commons, which categorizes goods into three groups namely; public goods, private goods and common goods, entrepreneurship theory, trust-related theories, the interdependence theory and the stakeholder theory. The nonprofit organizations chosen for illustration in this paper include American Heart Association, Salvation Army and the American Red Cross.

Management theories and examples of organizations

Due to different multitudes of different organizational components in nonprofit management literature, management concepts suggested by Gomez and Zimmermann (1993) provides a practical step towards the growth of management models that are more in tune with the realities of nonprofit organizations. There are different approaches applied in this field, including the public goods theory. As put by Weibrod's theory of public goods, public goods theory is an extension of the public choice theories, whereby a collective action is taken by affected individuals to resolve public

good problems. This theory states that public goods, which would have been otherwise provided by the government are provided by nonprofit organization through a donor. Services provided by the American Heart Association is a good example of an organization that help fill the gap, if need be. In other words, nonprofit provision is substituted for government provision under conditions of demand heterogeneity for the public good in question. Hansmann (1987) points out that the critical weakness in Weisbrod's theory is that it does not explain why nonprofit and not for profit firms come up to fill unfulfilled demand for public goods, especially when applying to quasi-public goods. Hansmann's trust-related theory picks up this point precisely.

Trust-related theories take a different angle by pointing out information problems inbuilt in the goods and services provided and the associated trust dilemma. One such scenario arises when the ultimate beneficiaries of a service or are unknown to the donor. For example, American Red Cross, which offers community services that help the needy need to build trust on the local charity organization on collecting and delivery of goods or services because they operate when they are miles away. At the same time, there is inadequate feedback that exists between the actual recipient and the customer demanding the service. For example, children are not well positioned to review the quality of any assistance. In addition, customers paying for the services pose a dilemma, leading to search for trust-engendering signals like non-distribution constraint.

The other theory is referred to as Entrepreneurship theory. According to James (1987), nonprofits always try to maximize on non-monetary returns such as adherents and faith or number of believers. They are primarily

interested in immaterial value maximization and are less interested with non-distribution monetary profits. An outstanding example is the Salvation Army, whereby its task is to preach the gospel of Jesus Christ and to address human needs in Christ's name without discrimination. To help out people in crisis, they preach the word of God to the victims. In addition, they persuade soldiers to train with them and later give volunteer service to the army.

In Conclusion, with the current nonprofit organizations facing a complex landscape with major sub sectors, there should be development of the field by interlinking the approaches like public goods and trust-related for better management. Moreover, there is a need to come up with theories that will not explain the existence of nonprofits, but their life cycles, impacts and their behaviors as well.

References

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