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## Why nonprofit? Nonprofit support organizations for NPO in mixed industries

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## **Why nonprofit? – Nonprofit support organizations for NPO in mixed industries**

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## Abstract

In the course of professionalization in the nonprofit sector, specialized nonprofit support organizations emerge, which provide other nonprofit organizations (NPO) with strategic management competencies. These nonprofit support organizations coexist with forprofit consultancies in a mixed industry. In this paper, we follow the research question why the founders of nonprofit support organizations opt for a nonprofit – in contrast to a forprofit – legal status. Data from two case studies are analyzed. The analysis is guided by categories derived from theories on the emergence of NPO, linked with considerations on ideological entrepreneurs and resource dependency theory.

We illustrate that the core consultancy services of the nonprofit support organizations exhibit similar characteristics compared to services provided by forprofits. Thus, classical demand-side explanations for the emergence of the nonprofit legal status do not apply at first sight.

What differentiates the nonprofit support organizations from the forprofit organizations are contributions to collective benefits for the nonprofit sector and society at large. The nonprofit support organizations use time donations as puffer to serve NPO with low purchasing power and thereby enhance the professional quality and impact of the nonprofit sector. In addition to the core consultancy services, the nonprofit support organizations engage in communication services which diffuse positive effects of nonprofit initiatives (e.g. promotion of volunteering, leadership excellence) in the wider society. In the light of dependency on scarce resources provided by nonprofit-specific stakeholders (donators of time, excellence, and credibility), the nonprofit legal status is more promising than the forprofit one for the examined support organizations for NPO. Interestingly, these nonprofit support organizations do not focus on alleviating market or state failures, but intend to provide solutions to voluntary failures, especially philanthropic amateurism.

With these case studies, we contribute to the understanding of the emergence of nonprofit support organizations in the realm of increased pressure for professionalization. Nonprofit support organizations enhance the nonprofit sector's capability to cope with this pressure and might constitute a further differentiation of the nonprofit sector.

## 1. Introduction

Professionalization of the nonprofit sector – or managerialism (Maier, Leitner, Meyer et al., 2009; Simsa, Meyer, & Badelt, 2013) – leads to the emergence of specialized support organizations for nonprofit organizations (NPO), especially consultancies and intermediary training organizations, which are an expression of the sector being rationalized (Hwang & Powell, 2009). These support organizations for NPO opt for different legal status: public, forprofit, or nonprofit. They therefore constitute a mixed industry (Ben-Ner & Karaca-Mandic, 2009; Ben-Ner & van Hooissen, 1991).

In this paper, we follow the research question why founders of such support organizations opt for the legal status ‘nonprofit’ and therefore accept the nondistribution constraint of NPO (Hansmann, 1980), meaning that they abstain from shareholder control. We refer to theories explaining the emergence of NPO in order to derive an analytical framework. Demand-side theories for the choice of the nonprofit legal status – which argue that NPO emerge to meet demands not met by the market or state – provide extensive arguments for the emergence of NPO. But since nonprofit support organizations provide services in a mixed industry side by side with forprofit organizations, we later focus on supply-side arguments for the choice of the nonprofit legal status, combining them with considerations of the resource dependency theory. We analyze two case studies with regard to the motivational disposition as an internal factor as well as scarce resources and stakeholder relationships as external factors influencing the choice of the legal status. This analysis allows us to examine why these rather unexplored nonprofit support organizations emerge, providing strategic, mainly non-financial services to other NPO, and how they differ from their forprofit counterparts. Furthermore, we explore how these nonprofit support organizations contribute to the capacity of the nonprofit sector to cope with the growing pressure for professionalization.

## 2. Theoretical Considerations

Theories explaining why the legal status ‘nonprofit’ emerges, can be broadly divided in demand-side explanations and supply-side explanations. Demand-side (section 2.1) arguments on the existence of NPO highlight advantages of nonprofit-specific organizational structures in contrast to market and government structures, with respect to economic (allocative) effi-

ciency. In general, demand-side explanations are more dominant than supply-side explanations in NPO literature (Badelt, 2003). Supply-side theories (section 2.2) put more emphasis on the actors and considerations involved in the founding situation of NPO. For our purpose, we will complement the supply-side argumentations based on entrepreneurial behavior (section 2.2) with explanations derived from resource dependency theory (section 2.3).

### 2.1. Explaining the emergence of NPO by the demand for services

In demand-side theories on the existence of NPO, the role of NPO in society is explained by market failure or government failure. *Market failures* arise, amongst others, in the production of trust goods and collective goods. Trust goods (Weisbrod, 1988) are bought before they are produced, and the consumer is involved in the production (e.g. consultancy). Trust goods are defined by an asymmetric information problem for consumers: The consumer only can evaluate the quality and therefore the appropriate price for the good after he paid for it. Collective goods are defined by non-excludability and rivalry (Weisbrod, 1988). The fact that no-one can be excluded from the consumption of a collective good once it is provided, encourages everyone to wait and hope that someone else pays for it. This problematic is described as the free-riding problem (Olson, 1965), which is hard to overcome with market solutions. *Government failures* arise, when the government does not provide an appropriate level of collective goods and public goods for minorities or high demanders (Steinberg, 2006; Weisbrod, 1975, 1988).<sup>1</sup> The government is oriented towards the median voter and therefore does not provide an appropriate mechanism to supply public goods for minorities. This also includes innovative goods, which are not yet supported by the majority due to their newness (Steinberg, 2006). Furthermore, governments lack knowledge about high-demanders of goods, who would be willing to accept price-discriminations and therefore help solve the free-riding problem (Steinberg, 2006). In the context of market failures and government failures, *NPO emerge* in order to provide these demanded, but not provided trust goods, collective goods as well as public goods for minorities and high demanders (Ben-Ner & van Hoomissen, 1991; Hansmann, 1987).

*NPO* are less prone to the problems of information asymmetries which hinder forprofit organizations to sell trust goods or provide collective goods. NPO are subject to the ‘nondistribu-

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<sup>1</sup> Public goods are defined by non-rivalry and non-excludability.

tion constraint' (Hansmann, 1980) and do not have shareholders. Hence, managers of NPO, compared to managers of forprofit organizations, have fewer incentives to use information asymmetries for one's own advantage (Ben-Ner & van Hoomissen, 1991). Their capacity to signal trust, and thereby their capacity to reduce transaction costs and to mediate between different stakeholder interests (Krashinsky, 1997), enable NPO to overcome the free-riding problem inherent in the provision of collective goods. Additionally, the "signal of trustworthiness" (Ben-Ner & van Hoomissen, 1991) helps to obtain more information on the consumers' willingness to pay. This allows NPO to apply price discrimination and provide goods for 'high demanders' (Weisbrod, 1975, 1988), as well as to gain donations for cross-subsidizing (Steinberg, 2006, with reference to Bilodeau & Slivinski, 1998; Hansmann, 1981). Therefore, NPO signal consumer control (Ben-Ner, 1986) and trustworthiness (Hansmann, 1987), which enables the provision of trust goods and collective goods. Furthermore, NPO often focus on specific target groups and therefore might emerge to overcome government failures by providing collective goods which do not correspond with the opinion of the median voter.

On the other hand, the "three-failures theory" states that NPO also fail to fully compensate state and market failure due to four *drawbacks of NPO* (Salomon, 1987; Steinberg, 2006). First, philanthropic insufficiency refers to the inability of NPO to generate resources on an adequate and reliable scale, which is partly a reflection of the free-riding problem. Second, philanthropic particularism describes the focus of NPO on particular ethnic, religious, geographic, ideological, or interest groups, which might lead to service gaps and non-consideration of economies of scales. Third, philanthropic paternalism refers to the observation that "those in control of the charitable resources can determine what the sector does and whom it serves" (Salomon, 1987, p. 112), which contributes to an even stronger dependence of the less privileged from the more privileged. Fourth, philanthropic amateurism refers to "well-meaning amateurs and those whose principal calling was moral suasion and religious instruction, not medical aid or job training" working in the nonprofit sector (Salomon, 1987, p. 112). Steinberg (2006) names several shortcomings of the three-failures theory. Amongst them, he states that "understanding the coexistence of providers from each sector in the same service industry is also difficult" (p. 128) and concludes, that "what is needed is a theory of the supply of this organizational form to complement the theories of demand" (p. 128).

## 2.2. Explaining the emergence of NPO by entrepreneurial supply of services

Supply-side theories intend to explain the emergence of NPO by entrepreneurial behavior, namely by “organizational choice” (Badelt, 2003). They focus on the characteristics of NPO founders. Young (1981) describes “entrepreneurial stereotype models”, e.g. with different degree of value-orientation, and provides a basis for the further explorations of ideological entrepreneurs (James & Rose-Ackerman, 1986; Rose-Ackerman, 1996). These ideological entrepreneurs are not only motivated by self-interested profit maximization, but also have specific ideas on how a service should be provided. “He or she espouses an educational philosophy, holds religious beliefs that imply certain forms of service delivery” (Rose-Ackerman, 1996, p. 719). These services can best be provided by utility maximizing NPO rather than by profit maximizing firms for several reasons. For example, NPO do not have shareholders and their self-interested preferences to consider, which might be not compatible with the ideological beliefs of the founder. Furthermore, NPO have a higher capability to attract other highly motivated, “ideological” employees which allow to increase quality and/or reduce the monitoring costs in the pursuit of ideological goals (Rose-Ackerman, 1996). Valentinov (2006) states that “the adherence to ideologies and beliefs leads households to place particular value on personal involvement in activities which they perceive to be consistent with and conducive to the realization and/or dissemination of these ideologies and beliefs“ (Valentinov, 2006, p. 440). Thus, NPO have better access to persons who value the “enjoyment of associating with one another” (Valentinov, 2006, p. 439) and who realize a higher utility in a contribution with personal involvement compared to a contribution without personal involvement. In this context, Andreoni (1989) describes the ‘warm glow effect’: People might engage in the production of a public good, not because they want to consume this good, but because they experience a warm glow “from having ‘done their bit’” (Andreoni, 1989, p. 1448). These ideological signals might facilitate NPO to have access to cheaper labor (Brown & Slivinski, 2006; Valentinov, 2006), and favorable conditions in land and infrastructure (Brown & Slivinski, 2006), as further outlined in the next subsection.

### 2.3. Resource Dependency Theory (RDT) as framework to focus on nonprofit-specific resources and stakeholders

In his attempt to integrate demand-side and supply-side explanations for the emergence of NPO, Steinberg (2006, p. 130) states that entrepreneurs consider entry costs, agency costs, resource availability, and regulations and enforcement. These aspects encourage us to refer to the resource dependency theory (RDT) as another supply-side, systemic theory to frame our research. The RDT (Pfeffer & Salancik, 1978; Ulrich & Barney, 1984) examines organizational behavior in its environmental context in general (irrespective from the legal status of the organization). We include RDT in our framework in order to inform not only about internal dispositions (as mentioned in the subsection above), but also external factors affecting organizational behavior. The RDT states that the organizations' behavior depends on the scarce resources needed and thus on other stakeholders who possess those resources. These stakeholders formulate conditions to the resource demanding organizations. The level of dependency of the resource-demanding organization from the resource-supplying organization can be characterized by several criteria<sup>2</sup>: (a) the level of explicitness/consciousness of the involved organizations about the conditions for resource exchange, (b) the capability of the supplying organization to control whether the conditions are met, (c) the influence of the demanding organization on the conditions of the supplying organization and (d) the level of contradictions between conditions posed by different suppliers. Each organization has to find a balance between maintaining autonomy and responding to the conditions (of resource-supplying organizations) in order to secure resources. Thereby, organizations are constantly involved in shaping power relations, e.g. by improving their 'ability to pressure for provision' (Saidel, 1991).

With its focus on (nonprofit-specific) resources and stakeholder relationships, RDT provides an additional analytical frame to understand the mechanisms involved in the choice of the nonprofit legal status in mixed industries. We assume that the nonprofit legal status incorporates advantages for the provision with specific resources and/or in the (power) relationship to stakeholders. Steinberg (2006) indicates that the competition between forprofits and nonprofits is limited "because of a variety of 'cushions' – subsidies, tax exemptions, and the like provided to nonprofits but not their for-profit competitors – which allow nonprofits to func-

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<sup>2</sup> We here subsume the ten "conditions which affect the extent to which an organization will comply with control" proposed by Pfeffer and Salancik (1978, p. 44) into four criteria which are of high importance for our research focus.



tion distinctively (Steinberg, 1991, 1993)” (p. 127). Nonprofits are expected to have easier access to intrinsically motivated employees, donations of time and money, indirect donations through voluntary price discriminations, membership fees, legates, governmental service contracts, tax exemptions (with respect to capital, land, infrastructure); Whereas forprofits might have easier access to venture capital and loans in general (Brown & Slivinski, 2006; Kesler, 2011; Seibel, 1994; Simsa, et al., 2013; Thieme & Winkelhake, 2012).

### 3. Research frame

In order to explore the phenomenon of nonprofit support organizations for NPO, we focus on the following research questions:

Why do support organizations for NPO opt for a nonprofit legal status?

Which roles do internal factors (motives) vs. external factors (resource dependency) play?

From the theoretical considerations we derived the following assumptions:

Assumption 1: With respect to the *characteristics of services* delivered by these nonprofit support organizations, we assume that similar services could also be provided by forprofit organizations.

Assumption 2: With reference to ideological entrepreneur perspective, we assume that the *motives* of the founders of nonprofit support organizations are linked to ideology/values, warm glow, and personal involvement, which lead to a preference in the nonprofit legal status.

Assumption 3a: With reference to resource dependence theory, we assume that considerations in terms of *scarce external resources*, contingent on different legal status of the organizations, lead to the decision for nonprofit legal status.

Assumption 3b: With reference to resource dependence theory, we assume that considerations in terms of *external stakeholder dependencies*, contingent on different legal status of the organizations, lead to the decision for nonprofit legal status.

Table 1 resumes our analytical framework for the study based on the outlined theories. With our analysis, we intend to contribute to the understanding of the emerging phenomenon of nonprofit support organizations, as well as its contribution to the capacity of the nonprofits sector to cope with pressure for professionalization.

**Table 1:** Analytical framework containing major dimensions and theoretical reference

Arguments	Focal points	Theoretical frame	Major dimensions
Demand-side arguments	Characteristics of services	Three-failures theory	Non- excludability/non-rivalry Heterogeneity in demand: different level of willingness to pay Level of information asymmetry
Supply-side arguments	Motivation of the founder	Ideological entrepreneur	Ideology/values Personal involvement Warm glow
	Resources	RDT	Scarcity Nonprofit-specificity
	Stakeholders		Level of dependency (Consciousness, controllability, influenceability, ability to pressure for provision, contrariness)

#### 4. Methods & Data Sources

In order to discuss our assumptions, a case study approach (Yin, 2003) was chosen. Case studies are well suited to explore contemporary phenomena and to answer research questions which involve various – and sometimes not yet discovered – influencing factors. Yin (2003) exemplifies that case studies may be used to examine the structure of a given industry.

In the selection of cases, literal replication was aspired, which means that those cases were selected which allow to predict similar results (Yin, 2003). We first examined ten cases and then selected two of them for an extensive analysis. This selection intends to capture representative cases of the contemporary phenomenon of nonprofit support organizations which share the following commonalities:

- Nonprofit legal status
- Service provision in mixed industry

- Founded in the last 10 years & calling themselves innovative or unique/new (contemporary phenomenon)
- Variety of different data sources available

Several data sources served to collect information on the case organizations. We first derived data from the websites of the organizations, media sources, books published by the organizations or their founders. We then interviewed one key informant of each case organization who also provided us with additional internal documents. For the interviews, we first of all used an interview guide containing open questions to induce a narrative sequence, and secondly, ad-hoc questions for problem-centered exploration (Witzel, 2012). The interviews were recorded and transcribed. All data collected was entered into the qualitative data analysis software MAXQDA and then examined by a structured content analysis according to Mayring (2010), applying descriptive and theoretical codes (n= 1022). The elements presented in the analytical framework (Table 1) served as the main theoretical codes. In order to enhance inter-subjectivity of the coding, one researcher first coded all the data and a second researcher examined the coding for appropriateness. Where different preferences in coding were detected, the differences were discussed. These discussions led to clearer definitions of codes, amendments in the preceding coding and memos for further analysis.

We referred to recommendations of Yin (2003) to consider queries on validity and reliability. In order to enhance construct validity, we used multiple sources of evidence (webpage, internal documents, interviews, and press) and incorporated them into qualitative data analysis software in order to allow the creation of a chain of evidences. Moreover, we sent the draft of the case study report to the key informants for feedback. In order to improve internal validity, we engaged in explanation–building processes as proposed by Yin (2003). External validity was aspired by applying a research design guided by theory. Additionally, a case study protocol served to augment reliability.

## 5. The Case Studies

To present the cases, we first illustrate some descriptive data and the creation history of the two nonprofit support organizations (NSO) examined, namely NSO1 and NSO2. Then, we examine characteristics of the services in order to discuss the assumption that the services could equally well be provided by forprofit organizations. Finally, we explore how the motives, resources, and stakeholders involved in the founding phase of the support organizations contribute to explanations of the choice of the nonprofit legal status.

### 5.1. Description of the case organizations & creation history

In this subsection, we describe how the case organizations came into being. We also shortly describe the function of our key informants. We then illustrate the central issues which were discussed controversially during the founding situation in order to detect the main issues the founders considered in their choice for the nonprofit legal status. We also examine the unique selling propositions of the case organizations for the purpose of understanding how the organizations position themselves towards external stakeholders.

#### Case 1

NSO1 emerged from a project initiated and developed by a philanthropic corporate actor and an academical institute in 2006. Out of this project, several regional networks evolved. In 2010, these loose networks were gathered by creating a formal organization. NSO1 consists of the general assembly, a steering body (containing a representative of each regional network), an executive board, and an external auditor. NSO1 is fully based on volunteering, apart from one salaried position (40%) in the executive board. The volunteers are at least 55 years old, mostly retired, and dispose of work experience in management, consultancy, leadership, and (public) administration. NSO1 provides uncompensated know-how contributions to social and cultural fields in the form of consultancy mandates on both a conceptual and a strategic level. Beside the consultancy, NSO1 aims at generating a new image of elderly people and improving the relationship between generations.

Our *key informant* was involved in the creation of the organization and held two important positions during the founding phase: He was chairman in the steering committee of the headquarters and chairman of one regional chapter.

During the *founding situation*, three central issues have been discussed controversially according to our key informant:

- the legal status,
- the distribution of competencies between the regional chapters and the headquarter, and
- the way how new members should be integrated (optional vs. obligatory introduction trainings).

With respect to the *legal status*, two possibilities were discussed: either an association or a simple (unregistered) partnership ('Einfache Gesellschaft' under Swiss law). One regional chapter also raised the question of whether more than just personal expenses of the services should be compensated. But this claim did not find any broader support and did not lead to a discussion on founding a forprofit organization. As explained our key informant, the decision in favor of the association is based on the fact that this legal status provides minimal, but adequate structures (bylaws, legal personality, bank account) in order to professionally interact with other organizations.

With reference to the *unique selling proposition* of the organization, NSO1 differentiates itself from other nonprofit volunteer-brokerage-agencies by their conceptual, strategic work as distinguished from 'basis volunteering'. They also differentiate themselves from another consulting organization of retired people (receiving remuneration) by having only NPO and civic initiatives as clients (no forprofits).

## Case 2

NSO2 is a tax-exempt private foundation which was established 2008. The establishment of the foundation was the result of an intensive development process with four stages: collection of data (2003-2004), analyses/synthesis/theory building (2005-2006), market test (2006-2007), and automation/institutionalization (since 2008). The foundation consists of a foundation board, an advisory board, a management team, and further

staff. The paid staff is supported by volunteers, especially VEPs (very experienced persons), and students. The main aim of NSO2 is to act as a meta-organization which enables grassroots organizations to be more efficient and effective by providing an assessment tool and learning implications to deliberately overcome governance problems with a bottom-up, multiplicative approach.

Our *key informant* founded the organization and is still the organization's executive director. He also developed the knowledge base for the consultancy services (assessment tool).

The main discussion points during the *founding phase* were:

- the legal status of the organization,
- name of the organization, and
- the positioning of the organization (how to explain the niche).

According to our key informant, financial issues were of secondary priority. With respect to the legal status, several options were discussed, including forprofit ones. The main reason for proposing to create a forprofit organization in addition to the nonprofit organization was flexibility (no formalities, control over capital). This argument was ruled out by the key informant who emphasized the importance to choose the nonprofit legal status 'foundation', because foundations 'epitomize independence' and therefore demonstrate to be the most credible actor. This is judged to be especially important on the one hand for the client's acceptance of the organization and on the other, to enable benchmarking possibilities across client organizations. A trustful comparison of organizational practices can create organization-overarching benefits in addition to the organization-specific core service. Hence, in order to foster the credibility of the endeavor, the nonprofit legal status 'foundation' was chosen.

With reference to the *unique selling proposition* of the organization, our key informant explained that NSO2 is hardly comparable to any other organization, since it constitutes a kind of a meta-organization. If compared, then it would be best to take the nonprofit organization 'ZEWO', a foundation hosting a Swiss NPO-label for transparency with donor money, as a reference organization.

To summarize, the creation of both organizations was preceded by a long development process, with early involvement of philanthropic actors. In both cases, the legal status belongs to the most central issues discussed in the founding situation. So the choice of the legal status was a purposive decision, based on the advantages of NPO to provide minimal, but adequate structures (bylaws, legal personality, and bank account) and to have the capacity to signal trustworthiness.

## 5.2. Characteristics of services

In order to check assumption 1, we explore the characteristics of the services. Following the considerations of Steinberg (2006), who states that many NPO provide services depicting characteristics of private as well as characteristics of collective goods, we first examine through which attributes the services are described by the case organizations: Do they describe their services similar to a private good (also profitable to a forprofit organization)? Or do the characteristics of the services indicate that NPO are better suited in providing them? We then examine the contract conditions: Is direct reciprocity (as a standard of forprofit contracts) present or are other stakeholders involved in an indirect reciprocity (as characteristic of nonprofit services), e.g. paying donations or subsidies? We moreover examine the additional services, which are executed besides the core consultancy services, with respect to information asymmetries, non-excludability, and price discrimination.

### Case 1

The *core services* of NSO1 consist of mandates for capacity building. The key informant emphasizes several times that they intend to deliver services ‘as professional and high quality as’ services of forprofit providers (consultancy agencies). This perception is underlined by attributes describing the services delivery of NSO1 such as binding, reliable, loyal, standardized, efficient, and effective as well as applying project management methods and following a clear goal definition. Other attributes to the services indicate nuances which are difficult to assign to a nonprofit vs. forprofit orientation, such as needs-oriented, innovative, or networked. A third cluster of attributes are more closely linked to nonprofit-specific resource of unpaid labor and collective benefits of the development of civic society. The cluster contains attributes such as free of charge,

complementary to paid work/grassroots volunteering/public responsibilities, future-oriented (development of civic society), and exclusively for NPO (NSO1 does not offer services to forprofit organizations). The key informant admits that the “free of charge” argument is very important for receiving mandates.

The *contracts* with clients contain a precise description of the mandate as well as the agreement that NSO1 is allowed to use the project for marketing purposes. Contracts are made bilaterally; No third parties are involved for funding requirements. Clients compensate for the expenses and are asked to contribute to the ‘infrastructure funds’ of NSO1, by which expenditures on infrastructure and training within the NSO1 are covered (voluntary price discrimination).

Apart from the consultancy mandates, NSO1 provides additional *collective benefits*, namely the improvement of the quality of life of elderly people. The NSO1 engages in communication to generate a new image of elderly people and to improve the relationship between young and elderly people, as well as in the promotion of volunteering and in the inducement of community building projects. In contrast to the core services, these additional activities do not have specific client organizations as target group, but the society at large.

## Case 2

The *core services* of NSO2 consist of consultancy and organizational development based on an extensively developed and tested assessment tool. The fact that in a later stage, after the founding phase, the assessment tool is further developed to be applicable to forprofit organizations implies that the services of NSO2 are congruent with forprofit services. Some attributes to the services indicate nuances which are difficult to assign to a nonprofit vs. forprofit orientation such as multi-perspective, win-win-win, or focused on learning and results. In the interview, the attribute sustainable went hand in hand with the argumentation that the service should cost something, based on the common saying that things for free are not valued, but that the price is negotiable according to the purchasing power of the client.

With respect to *contracts*, contributions of the clients vary from market-price to symbolic contribution depending on the purchasing power. Our key informant explains that



their services are “subsidized” by their low paid labor or unpaid labor. Generally, no third parties are involved in the (payment of) contracts. (In a later stage of the organizational lifecycle, gaining ‘stipends’ for NPO with low purchasing power is aspired.)

Besides the core service of NSO2 – the dissemination of the assessment tool and the corresponding interpretation – NSO2 provides additional *collective benefits*. These include the awareness raising and awareness building (e.g. by lecturers, and business cases) as well as the scientific advancement of the tool (better generalizability, better options for tailoring) in order to enhance the multiplicative effect aspired with the tool. These additional communication services benefit the nonprofit sector at large, not only the clients of the NSO2.

We therefore can summarize that the characteristics of the core services do not essentially differ from services provided by forprofits. With respect to contract conditions, beneficiaries of the core services directly pay for the service in both cases, without third parties involved. In NSO1, clients are asked for voluntary price discrimination by contributing to an “infrastructure funds”. The narratives do not reveal different handling of information asymmetry compared to forprofit organizations in contract negotiations. Our case organizations differ from forprofit service providers through the compensation of clients’ low purchasing power by time donations (of non-clients), as well as through the provision of collective benefits from additional communication services. In contrast to forprofit organizations, these additional communications services do not primarily serve to strengthen customer relationships, image or the acquisition of new clients, but are part of the organizations’ missions to provide benefits to the whole nonprofit sector and/or to society at large.

### 5.3. Motives of the founders

In order to examine the founders’ motives, we now analyze their narratives with respect to ideological thoughts, warm glow, and the value of personal involvement.

#### Case 1

Our key informant describes how the ‘total penetration of society by market mechanisms’ frightens him. His interest in non-market-driven processes is a driver for his civ-

ic engagement. He wants to accomplish something meaningful, to improve the social quality of life. This is in line with other data sources demonstrating the societal recognition, sense-making experiences, and personal satisfaction that consultants draw from the engagement in NSO1. The consultants wish that the society can benefit from the experiences and know-how of elderly people. They want to activate and transfer the knowledge and potential of elderly people, and thereby, contribute to a community of solidarity.

Our key informant is furthermore driven by curiosity, the joy to get known new people and new fields of activities, and the wish to increase his “mental mobility”. The book on NSO1 illustrates that consultants of NSO1 enjoy the variability of people (with respect to experiences and educations) in the consultancy teams and the different working culture they bring with them. They enjoy the team spirit and group dynamics. Within NSO1 they can meet challenges which they would not have the courage and/or competences to meet alone. Our key informant adds that the immaterial recognition and the ‘feeling to be needed’ are also a drivers, as well as the fact that “in the end, there is something which can be put in an appearance”.

Many motivations expressed by NSO1 consultants in media sources and books about NSO1 aim at integrating retired people into society, such as to advocate for a new image of the elderly, to craft the transition in a meaningful work-independent life stage or to establish ties between generations. Furthermore, the NSO1 intends to promote, foster and recognize the importance of volunteering by providing role models (for others to volunteer and for politicians). This motivation is also in line with the mission of the initiating philanthropic actor.<sup>3</sup> The members of the organization aspire a public discourse on societal topics beyond the market and the state, as outlined in a book portraying the organization.

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<sup>3</sup> Based on the contemporary discourse on the ‘golden agers’ and the increasing need for care and volunteering, the philanthropic actor is interested in revealing the innovative and participatory potential and societal relevance of the retired people.

## Case 2

The founder of the NSO2 strongly identifies with the content of the assessment tool the organization is promoting. The development of the method grew out of his disappointing experience with development cooperation. He compares development cooperation to a money-absorbing ‘monster’, which grows and reproduces itself. Our key informant explains in detail how the assessment tool could contribute to enhancing the impact of NPO. In several data sources, it is explained how the tool reveals and fosters potentials of NPO. The founder is driven by the question of how to increase the generalizability of his analytic tool. He aims at multiplying the application of the assessment tool. He wants to develop a standard for all-encompassing governance, a framework for organization and reflection – a ‘label’. He wishes to induce a paradigm shift from the partial, isolated towards a holistic understanding of leadership issues and to encourage NPOs to be role models.

This ‘sense of mission’ is based on dissatisfaction with today’s leading figures lacking civic courage to advocate for unpopular issues. The organization should improve the alignment of Corporate Governance with the particularities of NPO, the demarcation of the roles and responsibilities between board and management, and the performance evaluation of board and management activities. Additionally, the founder emphasizes several moments where his analyses of leadership issues got strong support from colleagues from development cooperation organizations, forprofit organizations, and grant-making foundations, which encouraged him to spread the word about his idea. (Furthermore, a positive market test supported him by providing evidence of demand.)

The emergence of the organization is also linked to the biographic course of the founder. After a managerial career in international enterprises he wished to apply his competences and experiences to something more meaningful. He then started to work for a big project in development cooperation and wrote his dissertation about this project, wherefrom the cornerstones for the assessment tool emerged (development phase 1). He witnessed many insufficiencies in development cooperation and developed a model (underpinning the assessment tool) providing an explanation for these insufficiencies. Applying the assessment tool, which is based on this model, provides him with meaning,

or in his words “it’s a question of sense/meaning”. He compares the feeling of being able to change something in the dysfunctionalities of development cooperation with ‘psycho-hygiene’ in an early development phase (2), which was before the creation of the organization. The market-driven pilot phase provided him with evidence of demand, which further encouraged him - a former CEO in a for profit organization - to continue. Finally, he admits that the organization is “a baby, you are building up”.

To sum up, in both cases aspects of ideological entrepreneurs are depicted with reference to ideological thoughts and value-orientation, warm glow, and the valuation of personal involvement. The founders of the nonprofit support organizations differ in how strongly these aspects are emphasized. While the founder of NSO2 has a strong “sense of mission” (label, scientific underpinning), the founder of NSO1 emphasizes the personal involvement and warm glow effect (experiencing group dynamics) and often talks about nonmonetary rewards. The motives of the founders are directed towards changes in society (integration of elderly people, community building by non-market-driven processes, leadership) and change in the nonprofit sector (bottom-up governance, excellence).

#### 5.4. Resource dependency

In order to understand to what extent resource considerations affected the choice of legal status, we discuss the scarce external resources in the founding situation. We also refer to internal resources which are rather nonprofit-specific and which the case organization risk to lose when they opt for a nonprofit. Moreover, we discuss the dependency from external stakeholders providing the scarce external resources.

##### Case 1

At the stage of creating the formal organization, the following *scarce resources* had to be secured:

- a) consensus about the organizational structure
- b) the financial means to pay a headquarters and training capacities, and
- c) the trademark.

(a) The conflict about the organizational structure, concerning the division of competencies between the headquarters and the regional networks, was resolved by a participative decision-making process. It involved the *internal resources* of active members and their (immaterial) resources consisting of additional personal networks, time, their experience in management, consultancy, public administration and leadership, and a variety in educational, vocational and disciplinary backgrounds. Interestingly, our key informant highlighted that he would lose his interest to work for NSO1, if NSO1 would opt for a forprofit structures such as paying salaries for consultants. (So the NSO1 would potentially lose internal resources in case they opt for a forprofit legal status.) Therefore, the conflict on the organizational structure as well as the choice of the legal status also involved evaluating the *external resource* of potential members for the case that dissent active members leaving the organization would have to be replaced.

Regarding the *external stakeholders* providing resources (in this case the future members/volunteers), the key informant reports that the networks generally did not have any recruitment problems. Furthermore, he explained that they are able to replace members quite quickly by people with appropriate skills (self-regeneration capacity).

(b) With respect to financial means, NSO1 strongly relies on the renouncement of salaries by volunteers as an *internal resource*. Additionally, modest membership fees are raised. Interestingly, besides the members who actively engage in the consultancies, they do not have ‘passive members’ paying membership fees. Donations are mentioned in the bylaws, but are not mentioned in other data sources (indicating that they do not play a major role). In order to secure the financial needs, NSO1 searched for *external resources* from grant-making foundations. Financial support from the initiating philanthropic actor was also already promised in the funding phase, conditional on the legal status.

Thus, the initiating philanthropic actor and the grant-making foundations were the *external stakeholders* involved in the provision of financial support. The philanthropic actor, who had initiated the project the NSO1 emerged from, was very interested in the continuation of the business idea and its consolidation in a formal organization, since the project was seen as a role model and success story. The philanthropic actor also was the one who initiated the contact between NSO1 and three grant-making foundations,

out of which two agreed to support NSO1. The academic institute involved in the training of the consultants was not mentioned with respect to the founding phase.<sup>4</sup>

(c) With respect to the trademark, *no internal resources* could be mobilized. The only way to obtain the *external resource* “trademark” was to be in accordance with the initiating philanthropic actor, who had a strong interest in establishing the nonprofit legal status. (Alternatively, one may renounce the external resource trademark and use internal resources to promote prestige, proven record of success, and the professional standards of NSO1 to promote the NSO1.)

Thus, the initiating philanthropic actor was the only *external stakeholder* capable to provide the good “trademark”. He disposed to transfer the rights of the project’s trademark to the organization, under the condition – amongst others - that the NSO1 consultants do not receive a salary. On the other hand, he had a high interest in the continuation of the activities of NSO1. Since the activities were in line his mission (as mentioned in the subsection on motivations) and initiated by him, he would like to see his ‘flagship’ project growing, as explained by our key informant. With respect to the grant-making foundations, no specific conditions were exposed in the data.

## Case 2

At the stage of creating the formal organization, the following *scarce resources* had to be secured:

- a) Credibility, and
- b) financial support for clients with low purchasing power, and
- c) the further development of the tool.

(a) Our key informant highlights the importance of credibility as an *external resource* in order to achieve the mission of NSO2, as mentioned in the subsection on the creation history and motivations. Credibility and trust would allow NSO2 to better consult NPO, especially when trustfully exchanging on governance failures and benchmarking opportunities. (NSO2 dispose of *internal resources* supporting the credibility needed, such as

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<sup>4</sup> The main contribution of the academic institute was the involvement of instructors in the training of consultants. This service had already been provided at market-prices before the founding phase. (Since no pro bono services were involved, the choice of the legal status should not affect this cooperation too strongly).

time donations of Very Experienced Persons (VEPS) and the assessment tool elaborated in several development phases.)

Concerning *external stakeholders* providing this resource, possible stakeholders such as the clients or academic cooperation partners are not mentioned in the narrative of the founding phase. The choice of the legal status was never the less indirectly influenced by expectation of the founder on how stakeholders would react on the legal status: As outlined above, in order to be recognized as a “label”, a foundation was judged to be the best legal status signaling credibility.

(b) Concerning the financial support for clients with low purchasing power, the key informant highlights several times that NSO2 could not operate without the donations of time of the people engaged in the assessments (*internal resource*). He calls the services to be “subsidized” by their low paid labor or unpaid labor. They dispose of a pool of people – like VEPs and the founder himself – who work for no salary. Questioning how the motivation of these volunteers would change if the legal status were a forprofit one, our key informant admits that this could pose a problem. He would not be able to motivate as many people as in the case of a nonprofit firm, but he also refers to the mission of NSO2 which he judges to have a high potential to motivate people (irrespective of the legal status chosen). For additional financial support in the form of *external resources*, some ‘generous sponsors’ are mentioned on the webpage. NSO2 does not have members contributing membership fees.

Concerning the *external stakeholders* providing financial means, no recruitment problems for future volunteers are reported; moreover, channels for recruitment were established in collaboration with the academical institute. None of the narratives in our data provide evidences that the academical institute intervened in the founding phase. The grant-making foundations had already donated the money by the time of the founding phase, so they were no longer in the position to state conditions. None of the narratives in our data provide evidences that other financial donors stated conditions.

(c) Concerning the further development of the tool, contributions of students and academics as *external resources* were aspired, but as far as our data could reveal, the main resource needed was the time availability of the key members in NSO2 as *internal resource*.

Concerning the *external stakeholders* providing these resources, a research cooperation with an academical institute was already established, which also supported the communication activities of NSO2. Our key informant explains that founding a proper organization – in contrast to the development of the tool within the scope of an academic project – was needed in order to assure independence of the tool from the involved academical institute.

To sum up, both organizations are also dependent on financial subsidies, even though both organizations opt for bilateral, direct exchange contracts (as mentioned in the subsection on characteristics of the services). One organization uses the subsidies to maintain the national coordination and training (“infrastructure funds”), the other to serve organizations with low purchasing power. Besides financial support, one case organization perceives itself to be highly dependent on the (external) resource of credibility. Both organizations rely on the nonprofit-specific resource time donation, also including the willingness to donate expertise. Both organizations already had this resource at disposal in the founding phase, but emphasize that this resource would not be available in the same manner if they opted for a forprofit legal status. Other ‘traditionally’ nonprofit-specific resources such as membership fees and donations are not exhausted by any of the organizations.

The cases vary with respect to *stakeholder* relations. In case 1, the financial support and the trademark rights were conditioned on the choice of the nonprofit legal status, while the organization had some ‘ability to pressure for provision’ of financial support (due to the prestige it provides to the financially potent philanthropic actor who was involved in the development of the business idea). In case 2, the stakeholders, who could have influenced the founding phase by their support with credibility, did not seem to be aware of the opportunity to enunciate conditions. As already mentioned above, the internal stakeholders play a crucial role in both cases. By contributing time donations, they reduce the dependence on external financial resources and therefore the dependence on external stakeholders.



## 6. Discussion

Table 2 resumes the assumptions which guided our analysis. The core services of the examined support organizations – namely the specific consultancy mandates – do exhibit characteristics of a private good (excludability, rivalry), which would allow a forprofit organization to deliver these services equally well. Thus, the assumption 1 that similar services could also be provided by forprofit organizations is supported by these private good characteristics. On the other hand, both case organizations also engage in communication services accompanying the core services with non-excludable and non-rival benefits for the nonprofit sector and society at large. In contrast to forprofits, these collective benefits are part of the nonprofit organizations' mission and are not primarily motivated by intentions to acquire new clients or other customer relationship measures.

**Table 2:** Overview of assumptions examined

	NSO1	NSO2
<b>Assumption 1:</b> considering the <i>characteristics of the services</i> , similar services could also be provided by forprofit organizations.		
Excludability/ rivalry	Given to a high extent for core service, to a low extent for communication services	Given to a high extent for core service, to a low extent for communication services
Heterogeneity in demand	Voluntary price discrimination by 'infrastructure funds', cross-subsidizing mainly by time donations of non-clients	Cross-subsidizing mainly by time donations of non-clients
Information asymmetry	Comparable to forprofit services	Comparable to forprofit services, but trustworthiness signal used to encourage benchmarking between clients
	<b>Assumption supported for core services.</b> <b>But:</b> collective benefits would be narrowed (integration of the elderly into society, promotion of volunteering, community building, unconventional/innovative thinking).	<b>Assumption supported for core services.</b> <b>But:</b> collective benefits would be narrowed (generalizability, organization-overarching benefits, improvement of nonprofit governance, and credibility for the whole nonprofit sector).
<b>Assumption 2:</b> <i>Motives of the founder are linked to ideology/values</i> , warm glow, and personal involvement.		
Ideology/values	Yes: integration of society, against 'penetration by market mechanisms', civil engagement as societal value	Yes: holistic and multi-level governance, against 'lack of leadership'
Personal involvement	Yes: sense-making	Yes: sense-making, feeling of parenthood
Warm glow	Yes: team dynamics	No statement
	<b>Assumption supported.</b> Ideology/values refer to 'philanthropic failures' and probably also to 'society failures'.	<b>Assumption supported.</b> Ideology/values refer to 'philanthropic failures' and probably also to 'society failures'.
<b>Assumption 3a:</b> Considerations in terms of <i>scarce external resources</i> , contingent on different legal status, lead to the decision for nonprofit legal status.		
Scarcity	Financial means to pay headquarter and training capacities Consensus about organizational structure Trademark	Credibility Financial support for clients with low purchasing power (Further development of the tool)
Nonprofit-specificity	Grants from foundations and trademark as important <i>external resources</i> , contingent on nonprofit legal status Time donations as <i>important internal resource</i> , contingent on nonprofit legal status	Credibility and future financial support from foundations as important <i>external resources</i> , contingent on nonprofit legal status Time donations as <i>important internal resource</i> , contingent on nonprofit legal status
	<b>Assumption supported.</b> Time donations used to lower dependency from purchasing power of NPO	<b>Assumption supported.</b> Time donations used to lower dependency from purchasing power of NPO
<b>Assumption 3b:</b> Considerations in terms of <i>external stakeholder dependencies</i> , contingent on different legal status, lead to the decision for nonprofit legal status.		
Level of dependency	Willingness to provide external resources highly contingent on nonprofit legal status (High consciousness, high controllability from both sides, high influenceability, ability to pressure provision based on prestige, low contrariness)	Willingness to provide external resources highly contingent on nonprofit legal status (But: providers have low consciousness on ability to pressure, NSO2 has limited ability to pressure provision, low contrariness)
	<b>Assumption supported.</b> The organization would lose the major source for financial support and trademark advantages, if it opted for a forprofit form, due to the preferences of involved stakeholders.	<b>Assumption partly supported.</b> There were no explicit demands of stakeholders influencing the decision of legal status, but the founder based his choice of legal status on the expectation that stakeholders would ascribe more credibility to a nonprofit compared to a forprofit organization.

Several supply-side arguments for the creation of the nonprofit support organizations could be identified in our data, which support the assumption 2, assumption 3a, and parts of assumption 3b. The founders are motivated by the benefits drawn from fulfilment of ideology or values, from experiences of warm glow and from personal involvement, which provides supply-sides arguments for the creation of these nonprofit support organizations. Besides the strong evidences of supply-side arguments, the narratives concerning personal motives motives can also be read as a demonstration of needs to be satisfied by the support organizations (demand-side argument): Nonprofit support organizations act against failures of the nonprofit sector by providing with excellence and networks to NPO, especially those with low purchasing power. Similarly, nonprofit support organizations might act against ‘society failures’ by promoting positive effects of nonprofit initiatives in the wider society: the integration of elderly people, community building by non-market-driven processes, and bottom-up leadership. Thus, while supply-side arguments for the creation of the case organizations prevail, the choice of the nonprofit legal status is also based on the intention to share experiences and to sensitize a broader audience for excellence in the NPO sector, which is closely linked to demand-side voluntary failure stories, especially philanthropic amateurism.

With respect to resource dependency, nonprofit-specific resources such as time donations, grants and credibility as well as stakeholders’ preferences for a nonprofit legal status strongly affected the choice of legal status. What is striking in both cases is the fact that the internal resources of the organizations – especially nonprofit-specific donations of time and excellence – drastically reduced their dependency from the willingness to pay of the clients. These donations allow them to provide additional communication services, with collective benefits for the whole nonprofit sector (e.g. enhanced excellence) and the society at large (e.g. integration). Compared to forprofits, the nonprofit support organizations have less pressure to gain direct benefit from their additional communication services (such as acquisition of new clients), because they receive donations of time and excellence in order to provide these services, and are therefore especially effective in providing collective benefits. Additionally, it is argued that both –time investment of the highly intrinsically motivated volunteers and their level of variety of educational and vocational background– encourage ‘thinking out of the box’, enable tailor-made solutions, and therefore contribute to finding innovative solutions for the nonprofit sector and society at large.

To sum up, while the key informants of both cases suggest that the core services of consultancy mandates could be provided in a very similar manner by forprofit organizations, the several characteristics illustrated above call for a nonprofit organizational form: the use of the nonprofit-specific resource volunteers, the motives to provide variety, tailor-made solutions, communication activities, and the expectations of stakeholders. Considering the demand-side arguments, nonprofit sector failures (especially philanthropic amateurism and paternalism) prevail over market failure (only with reference to credibility) and government failure (only with reference to the use of the capacity of elderly people). Supply-side arguments on motives, resources, and stakeholder interests in the creation of the nonprofit legal status are based on a demand-side analysis of philanthropic failures, which leads us to assume that a further integration of demand-side and supply-side arguments might be productive for explaining the emergence of nonprofit support organizations. In general, nonprofit support organizations provide NPO, especially NPO with lower purchasing power, with excellence and therefore help them to cope with pressure for professionalization. Additionally, the nonprofit support organizations engage in communication activities to promote the image of the nonprofit sector in society at large as well as to craft collective benefits, such as the integration of elderly people and the promotion of volunteering.

## 6.1. Implications

We demonstrated that supply-side arguments as well as RDT are well-suited to identify good reasons for choosing the nonprofit legal status. The founders of the case organizations opted for the nonprofit legal status, because it enables them to express their values, it provides them with nonprofit-specific resources (especially time donations), and because it helps them the foster their relationship with stakeholders (provision of credibility and trademark). The choice of legal status is affected by both, internal factors as well as external factors. The internal factors (motives) shape the organization's aim in a way, which asks for additional resources to complement the core services with collective benefits for the NPO sector and society at large. The external factors (resources, stakeholders) reveal advantages of nonprofit-specific resources and the dependency on credibility from stakeholders preferring the nonprofit legal status. Market and government failure do not provide much explanation to the emergence of nonprofit support organizations in mixed industries. However, we revealed that

the supply-side arguments for the creation of NPO are complemented by demand-side failure stories referring to voluntary (and society) failures, especially philanthropic amateurism. The founders of the nonprofit support organizations want to foster the credibility and generalizability of the NPO sector's effectiveness as well as encourage unconventional/innovative thinking. They moreover want to provide solutions to societal problems by integrating the elderly into society, promoting volunteering, and encouraging community building in general. In order to achieve these contributions to solve the voluntary (and societal) failures, the nonprofit support organizations strongly rely on nonprofit-specific resources, especially time donations. These nonprofit-specific resources allow them to engage in communication activities contributing to collective benefits, without being urged to generate revenues (e.g. by client acquisition).

We argue that nonprofit support organizations act against hegemony in the nonprofit sector by providing excellence to NPO with low purchasing power. Based on the founders' ideological motivations and time donations, nonprofit support organizations engage in advocacy for broad causes (excellence of the NPO sector, promotion of volunteering) with society at large as a diffuse audience. Causes with a diffuse audience are said to be increasingly neglected by NPO, which increasingly focus on core competencies and core target groups, due to the influence of managerialism (Maier et al., 2009). The nonprofits support organizations use time donations as puffer to encounter cost efficiency demands and to engage in causes with diffuse audiences.

## 6.2. Limitations of the study

Due to its focus on the founding phase, the study is limited in its analysis of dynamics across time. For example, a more detailed examination of the development phase before the creation of the formal organizations might reveal further aspects of the failure stories (e.g. in the market analysis). Additionally, it would be interesting to demonstrate how the organizations interacted with the environment over time. This would allow examining the external stakeholders' influence in a more nuanced way. Furthermore, the analysis of scarce resources and internal stakeholder interests could be extended by an embedded case study approach. In face of the importance of time donations in contrast to money in the founding situation, a re-

source-based perspective (Barney, Ketchen, & Wright, 2011) might additionally contribute to a refinement of our analysis. One key informant commented on our analytical framework in Table 1, that it (over)emphasizes the motives of the founder in contrast to the strategic considerations made, so it might be argued that strategic positioning (Chew & Osborne, 2009) would further contribute to a differentiated view of the phenomenon of nonprofit support organizations. Finally, the study is limited by the study design, especially by the number of cases. In order to increase the generalizability of the study, a more complex research design would be indicated, e.g. by adding more cases and applying theoretical replication.

### 6.3. Further research

Further research could be enriched by additional theoretical approaches on credibility, reputation, and legitimation. This recommendation is based on the fact that in NSO1 prestige was the main source for ability to pressure for provision and in NSO2 credibility was the most scarce resource and reason to opt for a nonprofit legal status. It would be interesting to examine in more detail to what extent nonprofit-specific sources of credibility affect the choice of legal status. The importance ascribed to credibility provided by the nonprofit status, the early involvement of philanthropic institutions, and the founders' identification with issues of the nonprofit sector, indicate that institutional isomorphism might add an additional perspective to the choice of legal status in its organizational field. (The unique selling propositions of the examined nonprofit support organizations indicated that they perceive the NPO sector as their organizational field, rather than the consultancy industry).

Furthermore, our focus on the contrast between nonprofit and forprofit legal status could be expanded. It might be of equal interest to compare the nonprofit legal status in contrast to a public legal status, e.g. by referring to Chikoto/Halicki (2012). By examining the reasons to opt for a nonprofit vs. a public form, more could be learned with respect to sources for credibility or to the capacity to bring different stakeholders together, contingent on these legal status.

Finally, the role of nonprofit support organizations for the nonprofit sector needs more exploration. The description of the unique selling propositions of the two examined case organizations illustrate that the key informants refer to the nonprofit sector as their organizational

field, rather than the consultancy industry, which indicate a differentiation of the nonprofit sector. It would be instructive to further examine the capacity of nonprofit support organizations to contribute to a differentiation of the nonprofit sector, whether they are niche products (Saxton, 1996) or emerge in large numbers, and also how they relate to other recent organizational forms such as social enterprises and hybrid organizations. Further research is needed in order to understand the relevance of this new phenomenon of nonprofit support organizations.

## 7. Conclusion

Generally speaking, both theories – RDT and ideological entrepreneurship - resulted in providing insightful analytical frames to examine the choice of the legal status: the combination of ideological motives and nonprofit-specific resources led to the decision that a nonprofit legal status was most suited. In both cases, the organizations distinguish themselves from forprofit organizations not by their core services as such, but by providing collective benefits for the nonprofit sector – such as enhanced excellence, credibility, and unconventional/innovative thinking –, as well as for society at large – such as the integration of elders into the society, the promotion of volunteering, and community building in general. Nonprofit support organizations thereby intend to reduce voluntary failures by incorporating nonprofit-specific resources, especially donations of time and excellence.

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