

NGO Research Program: A Collective Action Perspective

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Abstract

This paper outlines a collective action approach to study nongovernmental organizations (NGOs). We contend that while political scientists and sociologists have extensively written about NGOs, they have not systematically examined fundamental collective action issues such as why and where NGOs emerge, how they function, how they are structured, and what strategies they employ to mitigate agency conflicts and ensure accountability. Instead of theorizing about NGOs as a category, NGO scholars have developed descriptive typologies relevant to study small subsets of the NGO population. In contrast, the non-profit literature, which studies broadly the same actor category, has systematically focused on fundamental questions inherent in any collective endeavor. We conclude that by employing a collective action perspective, specifically the theories of firm, NGO scholars will be able to develop explanations about NGO origin, structure, and strategy that have superior explanatory power and are generalizable across NGOs.

Introduction

Scholars and the popular press emphasize the unique role of nongovernmental organizations (NGOs) in sustaining democratic governance. International organizations such as the World Bank and the United Nations routinely declare civil society to be critical for good governance and economic development. Scholars even claim the proliferation of NGOs is leading to the emergence of a “world society” (Meyer et al. 1997), and we are entering an era of “politics beyond the state” (Wapner 1995). Yet, NGO scholars have not systematically scrutinized the conditions under which individuals collectively seek to pursue their political, economic, and social goals via NGOs rather than unilaterally or via some other collective actor.

NGO scholars in political science and sociology (who study NGOs in the context of social movements) have documented hundreds of cases where NGOs have successfully influenced public and business policies. This rich empirical material, however, is not helpful in examining NGOs as a category or in comparing the relative efficacy of NGOs in relation to governments or firms to achieve similar goals. The problem, we believe, is the NGO literature tends not to employ generalizable theories to study NGOs. Instead, it relies on descriptive typologies which are developed to study small subsets of the NGO population. Furthermore, by neglecting collective action issues inherent in any collective endeavor, this literature does not systematically examine core questions regarding NGOs’ emergence (why, where, and when), internal governance (agency and accountability), and organizational strategies (targeting and mobilization).

While the vocabularies and typologies NGO scholars employ differ, they all study the same actor category. NGOs are different from: (1) governments because they cannot

require (via the threat of legitimate coercion) that entities living in a particular territory follow their laws and rules (hence, non-governmental) and (2) firms because they do not distribute profits to their residual claimants (hence, non-profits). To systematically study NGOs as a category, one ought to identify collective action issues pertaining to NGO emergence, structure, strategy, and efficacy that result directly from these common attributes. Drawing on the research of non-profit scholars most prominently found in policy and management studies, we present the collective action approach, specifically the theories of firm, as an organizing framework in this regard. While recognizing that NGOs function within the non-distribution constraint, we contend that NGOs have several important conceptual similarities with firms, another category of non-governmental actors. Individuals (as principals) work collectively via NGOs to pursue shared objectives in similar ways that shareholders use firms to collectively pursue a common goal. Instead of lobbying alone to protect the environment, individuals might create or join an environmental NGO. Or, instead of agitating by themselves against sweatshops, individuals might join or support an NGO that works on this issue. Thus, the study of the firm can be instructive because individuals make analytically similar choices regarding the collective organization of their economic, social, or political activities.

The skeptical reader might suggest that we are advocating the study of apples based on a study of oranges: firms and NGOs are so distinct that little can be gained by viewing them through a common theoretical framework. Indeed, Keck and Sikkink, pathbreaking NGO scholars, assert that NGOs (or participants in transnational advocacy networks) are not like firms because of “the centrality of principled beliefs or values in motivating their formations” (1998:1). However, Sell and Prakash (2004) point out that

this distinction is not persuasive because instrumental concerns also shape NGO emergence, objectives, and strategies. Although NGOs might pursue instrumental objectives, NGO scholars might counter that these objectives translate into policies that create predominantly non-excludable benefits. Firms, in contrast, pursue policies that benefit their shareholders only. While NGOs do not distribute profits to their principals, they do serve well-defined constituencies and create excludable benefits for them. As Sell and Prakash (2004) point out, labor unions – identified as NGOs by Keck and Sikkink, agitate for excludable benefits for their members by opposing imports, outsourcing, and/or the use of non-union labor. Even NGOs that do not explicitly pursue material goals have well-defined constituencies that reap excludable benefits. The National Association for the Advancement of Colored People, the American Association for Retired People, and the National Rifle Association are useful examples. This discussion demonstrates the significant analytical similarities between firms and NGOs and the insights generated in the study of the firm can usefully structure the NGOs research program.

The collective action perspective has three core features: (1) a view of institutions as bundles of contracts between (2) principals and agents whose interactions are governed by (3) hierarchical control rather than decentralized exchanges between anonymous agents (Moe 1984). Like firms, NGOs exhibit these core characteristics. Because firms and NGOs are two key institutional mechanisms through which individuals participate in collective non-governmental endeavors, the decision to work alone or outsource to other organizations (the “make or buy” decision) that individuals face in the two contexts are

likely to be analytically analogous. Accordingly, similar sets of factors are likely to influence the institutional designs of firms and NGOs.¹

This exchange is likely to create payoffs for collective action scholars because their theories, which were developed in different contexts, will now be applied to (and consequently sharpened by) the study of a new category of actors. Moreover, as issues of corporate social responsibility² increasingly shape firms' strategies, the research on NGO strategy – especially how to deploy resources when outcomes are difficult to measure -- might offer interesting insights for business strategy scholars.

Given this happy situation of mutual gains, our paper employs the collective action perspective to develop clearer theoretical understanding of four core questions: what NGOs are, how they emerge, how they function, and how they influence local and global politics. To accomplish this task, we critique two dominant strains of the NGO literature: the political science approaches to NGO politics³ and the social movement literature in sociology. We contrast these literatures with the multi-disciplinary nonprofit literature, which, although studying broadly the same actor, has systematically examined

¹ In this context, the “economics of religion” literature, which conceptualizes the religion sector as a market characterized by producers (religious organizations) and consumers (religious adherents), is instructive. Scholars have applied the theory of firm to understand why denominations vary in their organizational forms, outreach strategies, and the supply of religious goods. For an overview, see Iannaccone (1998).

² By this we refer to beyond-compliance policies adopted by firms with the explicit objective to create positive social externalities.

³ We do not subsume the social capital literature (Putnam 1993) under NGO politics literature because we are less interested in how social capital is created and deployed, and more interested in engaging with scholars who study how non-governmental actors directly influence public policy and provide collective goods and services.

collective action issues in ways that are similar to the theories of the firm.⁴ We find that the non-profit literature most effectively conceptualizes NGOs as collective endeavors and most coherently investigates core questions about how they emerge, function, and affect outcomes.

What Are NGOs?

Although most scholars implicitly agree that NGOs are institutions through which individuals come together to pursue shared goals, they disagree on how to classify these actors and their actions (Lewis and Wallace 2000; Vakil 1997) and on how to identify core questions to systematically study them. Political science, sociology, and non-profit explanations each work with their own units of analysis. Political scientists, specifically international relations and comparative politics scholars, tend to define NGOs by what they are not—non-governmental—and by their advocacy roles. They study how NGOs influence public policy and, to some extent, business policy (Wapner 1995; Keck and Sikkink 1998; Florini 2000; Baron, 2003; Sasser, Prakash, Cashore, and Auld, 2006), or how these actors contribute to an emergence of global civil society where politics take place beyond the state (Wapner 1995). In addition to their non-governmental status,

⁴ We recognize that some political scientists have produced exceptional work on governance and collective action that has the potential to be labeled as non-profit scholarship. Professor Elinor Ostrom (1990) is an obvious example, as her work focuses on governance of common-pool resources by non-market and non-state mechanisms. While some self-governance institutions studied by Professor Ostrom have characteristics of non-profits—they operate under the non-distributional constraint—some do not. For example, a farmers' cooperative established to manage a common pool resource might distribute all of its profits to its member. While it is a self-governing institution, it is not a non-profit because it violates the non-distributional constraint. In sum, while various governance literatures in political science might overlap with the non-profit literature, the former cannot be subsumed under the latter.

scholars such as Keck and Sikkink (1998) emphasize the non-profit character of NGOs, insisting that, unlike firms, which pursue instrumental goals, NGOs (or transnational advocacy networks, the subcategory they study) pursue normative goals.

While acknowledging a role for individual social movement organization (akin to NGOs), sociologists are most concerned with broad groupings of organizations that comprise social movements (McAdam 1996).⁵ They emphasize social movements' advocacy roles and how they create or leverage the political opportunity structures (POS) to influence public policy. They study how power asymmetries and a lack of institutional access force the underdogs to organize collectively outside the formal political realm. The normative underpinnings of the social movement research program are clearly defined, but the analytical boundaries of a social movement are not as clear. Indeed, social movements are defined by their main processes of: 1) mounting collective challenges; 2) drawing on social networks, common purposes, and cultural frameworks; and 3) building solidarity through connective structures and collective identities to sustain collective action (Tarrow 1998: 4). Such encompassing descriptions are not helpful to differentiate a social movement from a non-movement. The analytical merit of the social movement concept is undermined, however, because almost any kind of social action, including collective action through the agencies of firms and governments, can be subsumed under the banner of a social movement.

For some social movement scholars such as Tarrow (1998, 2001), the critical element of social movements (unlike NGOs which might engage in routine politics) is “contentious politics,” which “often is the only recourse that ordinary people possess

⁵ Social movement scholars ought to examine collective action issues on at least two levels: at an individual social movement organization and at a social movement.

against better-equipped opponents or powerful states” (Tarrow 1998: 3). For them, contentious forms of collective action “are different than market relations, lobbying, or representative politics because they bring ordinary people into confrontation with opponents, elites, or authorities” (Tarrow 1998: 4). Nevertheless, as market and political mechanisms are always present in a social movement’s origins, functions, and efficacy, these distinctions create a false dichotomy. With loose definitions on the one hand and false dichotomy on the other, the unique contributions of the social movement research program are difficult to identify. Whereas political scientists differentiate far too much between types of NGOs and do not sufficiently acknowledge that NGOs share many similarities with one another and with other forms of collective action, sociologists adopt an overly expansive and elastic definition of social movements and the individual component organizations.

In contrast to the political science and sociology approaches, the multi-disciplinary non-profit literature focuses on how NGOs (or non-profit organizations, NPOs, as they generally term them) evolve and structure their operations. Instead of focusing on the demand for policy advocacy, non-profit scholars tend to investigate the role these actors play in the supply of private and collective goods and services. Insisting that the core feature of non-profits is the non-distributional constraint (profits might be earned but cannot be distributed to principals), non-profit scholars have gone beyond the public-private dichotomy in which governments supply public goods and profit-seeking firms supply private goods.

Importantly, this literature does not view non-profits as institution replacing; rather, non-profits are choice enhancing because they increase the heterogeneity of

suppliers. To their credit, non-profit scholars recognize that all institutions (including markets and firms) have strengths and weaknesses. Instead of looking at only successful cases as NGO politics scholars often do, non-profit scholars study the conditions under which non-profits (in relation to firms and government agencies) may or may not become the preferred mode of service delivery. Drawing from theories of the firm, non-profit scholars also recognize that market imperatives lead to institutional mimicry and the diffusion of best practices among non-profits, and from governments and firms to non-profits. Consequently, non-profits might resemble firms in their organizational practices and structures—and several scholars are concerned about the broader implications of this trend (Smith and Lipsky 1995). In sum, unlike NGO politics scholars who emphasize contentious advocacy against the state or firms, non-profit scholars explore cooperation and complementarities between firms, governments, and NGOs (see, for example, Ebrahim 2005).⁶ They recognize that a variety of institutional forms might operate in the same industry or issue area. We find that among the three literatures examining non-governmental actors operating under the non-distributional constraint, the non-profit literature is most sophisticated in working with a generalizable theoretical framework to address what NGOs are, and then identifying core collective action issues to systematically examine how these issues bear upon institutional emergence, structure, strategy, and efficacy.

⁶ Political scientists and sociologists have tended to view NGOs primarily as physical organizations, not as rule structures. Not surprisingly, they tend not to focus on the institutional dimensions of these actors. In contrast, the non-profit literature is more sophisticated for it has implicitly recognized that prior to examining non-profits as organizations, scholars must figure out their institutional foundations. As a result, non-profit scholars have paid considerable attention to the collective action issues inherent in this institutional category.

We find that NGO scholars are prone to develop descriptive typologies (descriptive theories at best) that are applicable to only small subsets of NGOs and social movements. Given this array of vocabularies and the emphasis on different issues, it is not surprising that the NGO research program lacks core theoretical questions to organize a systematic cross-disciplinary inquiry.⁷ This lack of coherence, and the insistence within political science and sociology that NGOs are somehow different from other collective endeavors, has discouraged these scholars from comparing and contrasting NGOs with other forms of collective action. In these two disciplines, the analytical uniqueness of NGOs is overemphasized and the analytical similarities between NGOs and firms are glossed over, if not entirely denied (as in Keck and Sikkink 1998). The collective action perspective as employed in most of the non-profit literature, especially the relatively sophisticated theories of firm, could offer valuable insights for the study of NGOs.⁸

Institutional Emergence

Collective action is the study of the conditions under which individuals might cooperate to pursue common goals. Individuals pursue collective action

⁷ While we respect the heterodoxy of views on generalizable theories, we do not think that this “area studies approach” is not an analytically useful way to study NGOs. Lessons from one “area” are seldom useful for the study of other areas because every area is supposed to be analytically unique and therefore needs a different theory. As a result, NGO scholars tend to overlook opportunities to cumulate knowledge about NGOs as a category of collective actors and employ insights from other types of collective action to study NGOs.

⁸ Indeed, Salamon and Anheier (1996 and 1998) made a similar appeal for developing and testing a generalizable theory of non-profit organizations that would link nonprofit studies to “bodies of thought of central concern to social science more generally” (1998: 281).

because they believe that pooling resources and coordinating strategies with like-minded actors can achieve certain goals more efficiently. Because cooperation may not always be voluntary, power and coercion influence the demand and supply of collective action (Knight 1992; Moe 2005). Most collective action scholars, however, focus on voluntary collective action whereby actors are motivated to seek benefits that are unlikely to be captured via unilateral action.

Organizing collective action is not as easy as basic constructs such as the prisoner's dilemma would suggest. Since Olson's (1965) seminal work, it is well recognized that free riding, among other things, impedes the supply of collective action. Actors want to reap the benefit of collective action without bearing the costs. Theories of the firm provide perhaps the clearest exposition of the challenges in organizing collective action. As an institutional response to market failures, the firm replaces decentralized, anonymous market exchanges with structured, hierarchical exchanges. The firm is an interesting case for the study of institutional emergence and evolution because it exemplifies conscious and voluntary decisions by actors regarding the rule structures to collectively organize economic activity. Moreover, theories of the firm have provided valuable insights to understand principal-agency issues (Berle and Means 1932) and the institutional arrangements that might mitigate them. As we discuss later, a similar logic could be extended to predict organizational structures of NGOs.

While Coase (1937) introduced the notion of transaction cost, Williamson (1975, 1986) provided a better specification regarding why firms (as hierarchies) arise.⁹ He linked the emergence of transaction costs in decentralized exchanges to asset specificity, bounded rationality, and opportunism. He hypothesizes that the “make or buy” decision—a firm’s dilemma about whether to make its own inputs or to outsource the production to another firm—is contingent on the levels of specificity entailed in a transaction: the higher the asset specificity, the higher is the likelihood that the transaction would be undertaken within the firm’s internal hierarchy. Williamson’s logic provides a falsifiable hypothesis to predict the boundary of any firm and why the make-buy decisions vary across firms and industries. Scholars have used this logic to study the membership in business alliances and networks (Dyer 1996). More recent scholarship has extended this argument to the study of government procurement (Brown and Potoski 2003). Again, the same logic can be extended to the study of NGO emergence and the boundaries of NGO networks across issue areas.

Influenced by the collective action perspective, including the theories of the firm, non-profit scholarship is a useful starting point. Unlike NGO scholars, non-profit scholars identify conditions under which NGOs arise and why different numbers and sizes populate different industries/sectors. Early non-profit scholarship suggested that nonprofits arise due to market or government failure (Weisbrod 1991). In market exchanges, information asymmetries between the buyer and the seller lead to uncertainty, distrust, and market failure. Historically, governments were viewed as the trustworthy

⁹ Interestingly, before the publication of Williamson’s *Market and Hierarchy*, Chandler (1962) documented how the “visible hand” of the multi-divisional firm economized on administrative costs in relation to economic exchanges via the “invisible hand.”

actors to correct market failures (Pigou 1960[1920]). Hansmann (1987) and Weisbrod (1991) added non-profits to this list of trustworthy institutions. They suggest that consumers trust these institutions because the non-profit entrepreneur is prohibited from distributing profits to the principals who exercise control over the organization—the assumption being that the pursuit of profits leads to exploitative behavior. Hansmann also argues that trust in and the reputation of the seller may mitigate problems with information asymmetries.¹⁰

With two trustworthy suppliers—governments and non-profits—one might wonder if it is possible to predict *ex ante* which institutional form will dominate. Anticipating this issue, Weisbrod (1991) introduced heterogeneity in demand into the equation. Political and administrative constraints often prevent governments from supplying the full range of goods that their citizens prefer. If most consumers want goods with the same attributes (homogeneous demand), governments will be most efficient at supplying the good because they can tap into economies of scale. With preference heterogeneity, citizens might try to pressure governments via exit, voice, or loyalty (Hirschman 1970). In addition, citizens might look for other vendors. Because information asymmetries discourage recourse to the private supply, citizens may decide to establish or join non-profits. This is the simple story of the emergence of non-profits. In effect, non-profits emerge to fill service or advocacy gaps that the public and private sectors miss.

¹⁰ Moreover, other non-profit scholars point to an inverse relationship between trust in the government and non-profit formation and participation. In this view, higher numbers of non-profits emerge when trust in government is low (Brooks and Lewis 2001) or when dissatisfaction with the quality or quantity of public or private services is high (Douglas 1987).

In the nonprofit literature, the non-distributional constraint is the foundation for non-profit emergence and trustworthiness. But the non-distributional constraint can be circumvented: non-profit managers may skim off the residual through high salaries, hefty perquisites, luxury travel, and conferences in exotic locales. This should come as a surprise because agency conflicts are pervasive in any collective endeavor: from shocking accounting irregularities in Enron and WorldCom to widespread molestation in the Catholic Church, mafia presence in major unions, and corruption in prominent charity organizations.¹¹ Conceptually, it is difficult to assert that managerial abuses (agency conflicts) will be less muted in non-profits versus for-profit corporations, an assertion that needs to be examined empirically.¹² One plausible argument might be that the cadre of people joining NGOs is intrinsically more “moral” (or less materially oriented) than the ones working for firms (Handy and Katz, 1998). We believe that this can be an interesting area of future research.

How Do NGOs Function?

To understand how NGOs mitigate agency conflicts, this section examines how they acquire resources, how they structure their internal organization and pursue specific strategies, and how they enforce accountability. While NGO scholars have developed a sophisticated understanding of NGOs advocacy strategies, their models and typologies

¹¹ The U.S. regulatory environment has anticipated this problem. To discourage “excessive” executive compensation in non-profits, the 1996 Federal Taxpayer Bill grants the IRS the authority to impose penalties in this regard (Barragato, 2002).

¹² Research on executive compensation in non-profits is seeking to explore this issue. Frumkin and Keating (2004) find that executive compensation is higher in non-profits with free cash flows and with stronger financial performance. This violates that non-distributional constraint and therefore is indicative of agency problems.

shed less light regarding organizational structures, resource acquisition, and agency problems—issues that non-profit scholarship and theories of the firm address more explicitly.

Organizational Strategies

Explanations for organizational strategies are among the most advanced topics in the NGO scholarship. Among political scientists, Keck and Sikkink's (1998) model of transnational advocacy networks (TANs) develops an understanding of the “boomerang effect” to identify how domestic groups draw on international linkages to mobilize external pressure for changing a state's domestic policies. Emphasizing the strategy to seek international assistance, Keck and Sikkink do not address how different TAN networks are created and structured, how resources affect the ability to sustain their various efforts, or what principal-agent problems arise when foreign assistance is introduced into domestic politics. They also leave unexplored the extent to which domestic groups modify their agendas to fit with the agenda of international NGOs and how this change affects the ability to mobilize domestic constituencies. As research on the “resource curse” (Ross 2001) and foreign aid (Remmer 2004) suggests, governments that do not rely on citizens for taxes, become less responsive to them. Would this argument hold for TANs that rely on external support from foundations, international financial institutions, bilateral aid, etc.?

Similarly, the social movement literature examines how social movement organizations make strategic use of political opportunity structures (POS)—the degree to which groups are likely to gain access to power and to manipulate the political system, to

accomplish their goals (McAdam, McCarthy, and Zald 1996). Political opportunities are measured in terms of: (1) the relative openness of the institutionalized political system, (2) the stability of elite alignments, (3) the presence of elite allies, and (4) the state's capacity and propensity for repression (McAdam 1996: 27). The POS concept is used loosely to identify the conditions that facilitate the emergence of social movements *and* the strategies they use in different contexts. In addition, the POS approach offers little explanation for social movement resource mobilization and agency problems. The implicit assumption is that, if a political opportunity arises, material and organizational resources will emerge and agency problems vanish, if they were present at all.

While some social movement scholars recognize that successful NGOs “adopt strategies that promote their causes—whether this is through protest or conventional lobbying activities” (Dalton et al 2003: 744), most tend to focus on contentious politics as the key organizational strategy. NGOs represent new issue demands and political values that are in conflict with the status quo (Rohrschneider and Dalton 2002; Dalton, Recchia, and Rohrschneider 2003). The desire to influence policy means that NGOs must choose between the tactics of protesting the political status quo or working within conventional channels to implement new policies. By and large, political science and social movement research expects NGOs to be loosely structured and to engage in “alternative” action repertoires, especially protest activities (Lipsky 1968; McAdam 1997). It is argued that unconventional action draws attention to NGOs' causes that would not occur through normal political processes. Again, there is seldom a discussion about resources, organizational structures, or agency problems—issues that the non-profit scholarship addresses directly.

Organizational Structures

Chandler's (1962) foundational work on business firms showed that organizational structures follow organizational strategies. Analogously, NGOs can be expected to carefully strategize about the issues they want to agitate for, tactics they wish to employ, and the organizational structures to achieve these goals. If they cannot effectively pursue a policy goal alone, they might create or join networks or alliances and pool resources with like-minded NGOs. Even working in networks with like-minded actors, however, NGO activists are unlikely to be oblivious to the imperatives of organizational survival. As in the case of firms, cooperation and competition will go hand in hand. NGOs will seek to protect their interests, especially to take credit if their efforts succeed; after all, publicity is the oxygen for organizational survival. Furthermore, if membership in a network compels them to invest resources that are not fungible (say, resources that cannot be transferred from one advocacy campaign to another), they might be wary of committing such resources lest a competing NGO assume a leadership position and corner the fame and publicity. It follows that, for NGO networks to function smoothly and not be consumed by internal bickering, rules are required to match investments and benefits for each network member. As these suggestions imply, employing insights from the theories of firms generates falsifiable hypotheses that carefully investigate NGOs' strategies.

Unlike their political science counterparts, social movement theorists have paid considerable attention to "organizational infrastructures," the forms that organizations take (McCarthy 1995). Mobilizing structures are viewed as the formal and informal

forms of organization available to social movement activists. In the most general sense, these are “agreed upon ways of engaging in collective action which include particular ‘tactical repertoires,’ particular ‘social movement organizational’ forms, and ‘modular social movement repertoires’” (McCarthy 1995: 141). While McCarthy sets out a 2x2 classification of organizational forms as informal versus formal and movement versus non-movement organizational structures, the two dimensions do not adequately explain the political strategies and orientations that cohere with this wide variety of organizational structures. Indeed, McCarthy’s classification system dismisses the political and movement orientations of a surprising range of organizations. For example, neighborhood-watch groups can be considered a recent type of social movement arising out of state and market failure with political consequences. Likewise, the ability of churches or other religious structures to mobilize voters seems evident in communities around the globe. While descriptive classifications of NGO structures are useful, they are less helpful in systematically examining the link between structure and strategy, and eventually, between strategy and outcome.

In sum, while the boomerang effect and political opportunity structure concepts offer important starting points for exploring NGO strategies and structures, NGO scholars tend to assume that people will come together and somehow manage to coordinate and sustain collective action without implicit or explicit structures or organizational rules. By ignoring how individuals organize NGOs, these literatures fail to explain where these structures come from, how they influence resource acquisition and agency issues, and how they eventually impact organizational outcomes or efficacy.

By contrast, non-profit scholars consciously seek to identify factors such as the regulatory environment and the range of products supplied that might influence non-profits' organizational structure (see, for example, Hansmann 1987). As non-profits have become more prominent social actors, their organizational structures and staffs have likewise become more professionalized. Rather than a loose set of procedures draped around elite networks (Hall 1982), these scholars suggest that non-profits resemble formal bureaucracies or "multi-product firms" geared toward producing goods that are sometimes external to their formal missions (DiMaggio and Anheier 1990; Young 1998; Goddeeris and Weisbrod 1998).

Unlike service-delivery non-profits where the market and regulatory environment significantly influence organizational strategy and structure, we suspect the relative power of the principals and the patrons (assuming they do not completely overlap) will critically influence organizational structure and strategy in advocacy-based NGOs. While principals (members) influence non-profits through voice (the exercise of their voting power) and exit, patrons (donors) often provide crucial revenues and organizational structures and strategies (Ben-Ner 1986) to sustain the non-profit. Focusing on coalition formation among patrons, Ben-Ner expects high-demand patrons to dominate the NGO and to set prices and output parameters that maximize their own welfare, and even to exploit other patrons to the extent permitted by competition. In contrast, Hansmann (1987) offers a model to illustrate the way in which principals (members) influence the structure (the size, fees, and membership characteristics) of individual organizations. Assuming limited economies of scale (in terms of membership size) in the operation of non-profits, and assuming that a given organization must charge all its members the same

fee, free formation of non-profits in this model results in a system of member-controlled organizations that are usually smaller than the size that minimizes average cost per member. Thus organizational strategy, structure, and size are limited by donative memberships. Hansmann's model of the structure of non-profits has obvious parallels with Olson's logic of collective action: relatively small groups form viable organizations for providing collective goods because mitigation of free riding via monitoring is easier in small groups.

The following discussion further elaborates on the parallels between firm and NGO strategies and structures. In any issue area (or industry), one can find several NGOs advocating similar policies. Why should Citizen A support NGO X over NGO Y? And knowing that members have a choice, how would NGOs respond to make themselves more attractive to potential members? Let us examine how firms respond to such situations. In industries with undifferentiated products (generic pharmaceuticals or gasoline distribution), firms expect consumers to prioritize price over other product attributes; hence they seek to be cost leaders. If a firm does not want to play the price game, it seeks to differentiate its product, often via advertising and marketing to artificially set apart its products. In doing so, the firm hopes that consumers will not benchmark its products against lower priced competitors.

We expect NGOs to behave similarly. While the price game (membership fees) may make less sense in the NGO context, the differentiation game is important. NGOs are likely to differentiate themselves either via their "products" or via the strategies employed to supply these products. For example, Rainforest Network supplies a differentiated product, advocacy for rainforests (not the generic product of environmental

protection), while Trouts Unlimited supplies another differentiated product, advocacy to protect trouts. By doing so, these NGOs segment the market for environmental protection and seek to capitalize on their market niche. If citizen A cares about environmental protection in general but trouts in particular, s/he may want to send his/her dollars to Trouts Unlimited, rather than to Rainforest Network. Thus, competition for membership dollars leads NGOs as strategic and instrumental actors to exploit preference heterogeneities among potential members and donors.

Some firms differentiate themselves not so much by the product they offer but by the processes in which they supply it. Dolphin-safe tuna may taste no different from other tuna in a “blind taste test,” yet consumers might pay a premium for the former because they support the fishing process firms have adopted. Analogously, NGOs might differentiate themselves not by the product they offer but by the processes through which they supply it. Supplying the generic product of environmental protection, Greenpeace differentiates itself via its aggressive advocacy tactics; the Natural Resource Defense Council’s distinctiveness lies in legal advocacy skills. Thus, NGOs may differentiate themselves on the bases of their “core competencies” (Hamel and Prahalad 1990), which determines the manner in which their outputs are supplied. Given these similar responses to competition for market share, theories of the firm offer important lessons for understanding NGO structures and strategies.

Resources

Organizations require scarce resources to survive. Salaries have to be paid, research must be done, and placards and banners for protests or events supplied. NGO

scholars, however, have not paid much attention to how NGOs acquire material resources to sustain their activities. Implicitly, they suggest that non-material, value-oriented motivations suffice to sustain collective action. While early social movement scholars acknowledged that the quantity and type of resources affect organizations' strategies and structures (Gamson 1975; McCarthy and Zald 1977), subsequent work dismissed the resource mobilization theory in favor of issues of political opportunity structures, framing, and organizational infrastructures (McAdam, McCarthy, and Zald 1996). In doing so, these scholars ignore how resource mobilization moves NGOs away from their stated objectives and normative orientations. Indeed, as the non-profit literature points out, resource mobilization might lead to agency conflicts that make an NGO less responsive to the objectives of its members and/or constituencies, the presumed principals, and more attentive to the requirements of the donors (Ebrahim 2003a; Christensen and Ebrahim 2006).

Recent NGO scholarship has begun to acknowledge this important omission. This new line of research examines how reconciling material pressures and normative motivations produces outcomes at odds with the expectations of the NGO literature (Cooley and Ron 2002; Henderson 2002). The alleged value-orientations and "good" intentions of NGOs do not necessarily lead to either desired policy outcomes nor induce cooperation among NGOs that have similar normative motivations (Clifford, 2005). This situation, of course, raises a host of new questions. If competition is an attribute of selfish actors seeking private gains, cooperation should not be a problem among non-selfish, principled actors seeking to supply public or private goods with widespread positive

externalities. Why then do we see presumably non-selfish, principled actors compete for material resources in ways similar to profit-seeking firms competing for market share?

These revisionist NGO scholars go only half way in recognizing that NGOs can be expected to compete like firms for resources. From the perspective of individual NGOs, membership and foundation dollars acquire the characteristics of rival goods—if I have them, you don't. While it is likely to vary across NGOs, external funders provide a significant percentage of resources for NGO activities. The resource scarce environment creates conditions for NGOs not merely to compete with one another but also to prioritize resource acquisition over their real objectives, including faithfully working toward principals' (members') goals.

Indeed NGOs do look and behave like firms, facing similar constraints regarding resource mobilization, organizational dynamics, and competition for market share (Henderson 2002). Exploring the relationship between foreign aid and the development of civil society organizations in post-Soviet Russia, Henderson (2002: 159) argues, “[g]roups...are not necessarily willing to share their grant ideas for fear that it would jeopardize their own funding possibilities.” Furthermore, competition for funding can cause groups to decrease in size, rather than grow, because “grants provide an incentive for members of the group to leave, form their own organizations, and apply for grants so they can set up their own separate relationships with funders without having to share the grant money with others in the group” (Sperling 1998 cited in Henderson 2002: 160). Cooley and Ron (2002: 6) also emphasize that the increasing marketization of NGO activities, as demonstrated by the use of competitive tenders and renewable contracting, “generates incentives that produce dysfunctional outcomes.”

While the revisionists make important inroads, they blame the environment in which NGOs function for inducing these “perverse” firm-like behaviors and do not recognize that such behavior is inherent to any organization. Let us assume that the competitive environment is indeed at fault. Imagine a perfect world in which a monopolist NGO occupied every sector and donors did not invite multiple NGOs to compete for the same pool of funds. If revisionists are correct, NGOs would not compete and would stick to their principled objectives. It follows, therefore, and somewhat ironically, that the democracy and pluralism championed by NGO advocates undermines the normative basis of their existence.

The non-profit research agenda explicitly recognizes the important relationship between material resources and organizational origins, structures and functions, and efficacy. They find that because sources of funding are crucial determinants of the emergence, orientations, and effectiveness, non-profit organizations make calculated decisions about what types of resources they pursue. For example, O’Regan and Oster (2002) find that government contracts significantly alter the types of individuals recruited for and activities performed by non-profit boards of directors.

The non-profit literature also recognizes that limited access to resources shapes organizational strategies and generates critical issues of multiple principle-agent problems (Ebrahim 2003a). Access to capital by non-profit organizations is limited to membership subscriptions, donations, and retained earnings. The for-profit mechanism of raising funds from investors is typically not available to non-profit organizations (Ben-Ner 2004; Steinberg 2005). Indeed, even fundraising activities that lead to prioritizing donors over members might cause a non-profit “to divert activities from its mission”

(Weisbrod 1998: 55). In order to overcome these fundraising problems, non-profits in several sectors have begun to experiment with commercial activities to supplement their access to resources. These forays pit them against for-profits and often times lead them to mimic for-profits in terms of organizational strategies and structures. Thus, the argument for the uniqueness of non-profits is eroded.

Agency Conflicts and Accountability

Agency conflicts are pervasive in collective endeavors (Berle and Means 1932). With information asymmetries and non-trivial monitoring costs, agents have incentives to substitute their preferences for the preferences of their principals. As managerial theories of firms suggest, managers seek power and prestige by increasing the departmental headcount and budgets at the cost of the firm's profitability (Marris 1964). Anticipating these problems, shareholders create institutions to mitigate agency conflict. Within the firm, the board of directors is expected to serve as the shareholders' watchdog. Externally, regulators acting on the shareholders' behalf create rules to constrain managerial abuses. Further, executive compensation may be tied to profitability, and the market for mergers and takeovers empowers shareholders vis-à-vis managers (Manne 1965).

Because agency conflict is a neglected issue in the NGO literature, scholars tend to ignore how NGOs might (or ought to) establish internal institutions to mitigate them and how this, in turn, influences organizational strategy and performance. In some ways, this omission is emblematic of a normative bias in the NGO scholarship that had led to: (1) the modeling of NGOs as non-instrumental actors seeking to serve public purposes

and implicitly assuming that individuals work for NGOs for non-instrumental reasons, and (2) a focus only on successful cases of NGO advocacy to the neglect of failed endeavors (Price 2003)—failures in which agency conflicts may be a contributing cause.

NGO revisionist scholarship, however, has made progress in addressing this problem (Henderson 2002; Cooley and Ron 2002; Wapner 2002). Recent work on foreign aid to civil society organizations in transitional and developing countries problematizes the issues of identifying NGOs' principals. For example, the body of work on post-Soviet civil society development finds that NGOs are often "ghettoized" and are more responsive to their foreign donors than the communities and individuals they were created to serve (Henderson 2002; Mendelson and Glenn 2002). Moreover in their cross-regional case studies, Cooley and Ron (2002) also argue that, contrary to expectations in this literature, "relations between donors, contractors, and recipients can be modeled as a double set of 'principal-agent' problems" (2002: 15). Non-profit research likewise finds that non-profit actors claim multiple levels of accountability and are more driven by upward accountability to managers, donors, trustees, and boards of governors, rather than by downward accountability to those whose interests the organizations claim to promote (Hudson 2000; Ebrahim 2003a; Christensen and Ebrahim 2006). In addition, the mechanisms for enforcing upward or external accountability to donors lead NGOs and funders to focus on short-term accountability at the expense of longer-term "strategic processes necessary for lasting social and political change" (Ebrahim 2003b).

NGOs claim legitimacy and differentiate themselves from instrumental actors such as firms because of the assertion that they serve the public interest. Revisionists, nevertheless, suggest that NGOs also pursue very parochial interests and have no clear

internal democratic characteristics to counter agency loss (Edwards and Hulme 1996). Compounding these problems, NGOs mostly have appointed rather than elected leaders and those who are elected are generally chosen by a small group of likeminded advisors or directors. While NGOs claim to represent the public interest, their accountability does not arise from the same democratic bases as some parties and governments (Grant and Keohane 2005: 37-38).

Wapner (2002) also argues that organizational structures and goals complicate NGO transparency and responsiveness to various stakeholders. Rather than being free to act on their own, NGOs must advance the concerns of their various members, donors, and advisors, and, while these individuals usually share similar ideological stances, they are rarely homogenous. In addition, NGOs must cooperate, coordinate, and compromise with other NGOs to advance their causes in networks; they must adjust their strategies, goals, and relationships to appear attractive to states in order to influence policy or state behavior; and, finally, to the extent that they work to influence international governmental organizations, NGOs must demonstrate deference toward international NGOs and associated international regimes. Moreover, in several countries NGOs are subject to more stringent reporting about their finances and activities because of their tax-exempt status. All these examples add layers of accountability to NGO activities and, to the degree that they fail to exhibit responsiveness, NGOs risk their very survival (Wapner 2002: 158-159; Meyer 1999: 110-115).

Wapner correctly points out different types of accountabilities to which NGOs might be subject,¹³ but he fails to address the issue of agency conflict (accentuated by the

¹³ For different types of accountability, also see Grant and Keohane (2005: 35-37).

multiple principal issue), which is likely to cause accountability problems. These problems are compounded because, without benchmarking, which allows comparisons of firms with their peers based on similar Standard Industrial Classification (SIC), it is difficult to assess NGO performance relative to their competitors. Spar and Dail (2002) propose a classification system similar to the SIC comprised of 10 broad categories in which NGOs operate. Such a classification might make it easier for potential members and donors to assess how NGOs are “performing” in a given industry.

While measuring the performance of a service delivery non-profit might be possible—for example, an industry benchmark might be based on firms and government agencies working in the same industry—how would one benchmark the performance of NGO advocacy organizations (Covey 1995, Edwards and Hulme 1996; Fowler 1997)? Would my membership dollars have more impact on public policy via Greenpeace or via Friends of the Earth? What types of proxies might a potential member employ? Further, even if such information were available, in the absence of a stock market where shares are listed and performance scrutinized by trained analysts (thereby forcing managers to pay attention to profits) and in the absence of a market for mergers and acquisitions (which allow shareholders to remove non-performing managers), how would external institutions enforce accountability? While NGOs might have many conceptual similarities with firms, they are not embedded in an institutional environment that creates incentives for their managers to behave responsibly. In other words, *the potential for agency abuse is far greater in NGOs than in business firms*. Anticipating this, the adverse selection problem in recruiting managers (agents) is likely to be more accentuated in

NGOs in relation to firms. Hence, the institutional design to mitigate agency abuse needs *more attention, not less* in the NGO literature.

The non-profit literature deals directly with the agency problems and even compares agency loss in nonprofit organizations with governments and firms operating in the same sector (Ben-Ner 2004; Fama and Jensen 1983). Indeed, these scholars suggest that nonprofits have more severe agency problems than firms or governments. They suggest that agency problems in nonprofits do not arise because self-selecting agents become non-profit managers. Rather, it is because non-profits lack the competitive and/or democratic organizational structures and the incentive mechanisms to which governments and firms are subjected. Further, ensuring accountability in multi-product non-profits with multiple donative and commercial fund-raising activities is even more complex because non-profits goals “are not only numerous, they are typically vague. Thus it is difficult for society, the regulatory authority, ...or even the nonprofit itself, to determine the degree to which goals are being realized....” (Weisbrod 1998: 51).

NGO Efficacy

Institutional efficacy is the final core issue examined in the collective action literature. For firms, efficacy is measured in terms of profitability in relation to industry averages. The subfield of business strategy focuses on how firms can earn and protect their profits or rent. Michael Porter, the leading business strategy scholar, identifies three generic ways to earn and protect rents: cost leadership, product differentiation, and market segmentation. Since the publication of Porter’s *Competitive Strategy* in 1980, there has been a flood of research testing his argument. While Porter privileged market structure and how firms respond to it as a driver of profitability, a rival conception,

known as “resource-based view of the firm” (Barney 1991), sought to link profits to key resources that firms possessed. According to this perspective, firms can create and sustain rents if their key resources (that is, assets, capabilities, and processes) are valuable, rare, difficult to imitate, and non-substitutable. There are hundreds of papers examining whether firms’ profitability is systematically associated with these attributes. It is fair to say that scholars studying firms agree on and clearly identify how to measure firms’ efficacy in terms of profitability. Nevertheless, they privilege different variables as drivers of firms’ efficacy, creating a healthy debate in the discipline.

On the other hand, it is not clear how one would measure the efficacy of NGOs and assess the relative salience of the various efficacy drivers. What works and why? On this final point, political science and sociology literatures are reasonably developed, and the non-profit scholarship only contributes additional suggestions. These literatures offer important starting points, but none of the approaches offers a definitive answer for assessing NGO success.

NGO scholars have paid considerable attention to the conditions under which NGOs affect government policy and transcend closed political systems. This focus is the strongest and clearest aspect of these literatures. Keck and Sikkink (1998) identify a broad but tractable range of goals that activist networks pursue and that can, therefore, be used to assess the effectiveness of TANs. They argue that TANs seek: (1) to place an issue on the international agenda, (2) convince international actors to change discursive positions and institutional procedures, and (3) influence policy change and actor behavior. This line of work underscores the importance of well-organized and relatively dense international networks to carry out their typical repertoires of disseminating

information (Ron et al., 2005), engaging in persuasion, and exerting pressure, but it offers little discussion of the role of domestic organizations and ignores the competition with other collective actors—factors that ultimately influence effectiveness. Likewise, it also ignores the issue of organizing collective action and how agency conflicts might undermine policy advocacy.

Indeed, many studies of transnational NGOs neglect the importance of domestic actors or identify sympathetic indigenous actors as only one of several necessary conditions for successful advocacy campaigns. Global norms and concerns often dominate the issues that TANs pursue (and TAN scholars study) rather than issues responding to local needs or exploring the dynamics of individuals or individual organizations within the networks. Although TAN scholars are interested in how NGOs overcome institutional hurdles and resource deficits to achieve advocacy success, they rarely explore why some campaigns succeed in some places but fail in others (Price 2003: 586). The selection bias makes the factors that determine advocacy effectiveness difficult to evaluate. Moreover, these scholars are not concerned with compromised results, but seek only to explain successes driven purely with value/normative motivation.

Overcoming a lack of political access is another critical element for NGO success that both political science and sociology researchers emphasize. Despite expectations that the “efforts of grassroots and direct actionists are likely to have greater value added when political conditions are unfavorable” (Price 2003: 585), NGOs are observed to have more of an impact when they have ties to governments or corporations that perceive their own vulnerability to the campaign. In essence, these scholars find that advocacy is most effective when publics are already mobilized around an issue and targets are already

receptive to change or vulnerable to network activism. These conditions have an obvious overlap with the concept of political opportunity structure prominent in social movement literature. While there can be no doubt that these conditions are important to success in a number of issue areas in which NGOs are active, political scientists and sociologists do not explore why and how these conditions arise or their relative contribution to advocacy success.

Non-profit scholars, in contrast, identify the regulatory environment in which non-profits operate as the key driver of non-profit success. They explore the relationships between tax structures, organizational forms, and donor incentives (Weisbrod 1997), and investigate the impact of cooperation or competition with government agencies on efficacy (O'Regan and Oster 2002). The focus on contracts between state and societal actors points to regulatory details that critically impact non-profit effectiveness and builds on the advances of political science and social movement literatures for determining organizational success.

Conclusion

This paper argues that: (1) nongovernmental organizations (NGOs) should be conceptualized as collective endeavors; and (2) instead of creating new theories, NGO scholars should draw on theories of firm to investigate core theoretical questions such as under what conditions NGOs emerge, how they function, and how they impact outcomes. Further, NGO scholars should learn from the non-profit scholarship, which although examining the same actor type, has pursued its enquiry in a systematic way. Moving in this way to a generalizable theory of NGOs will encourage scholars to think of big

theoretical questions and not get bogged down in details of individual NGOs. For us, the interesting question is not whether one NGO differs from another. We believe the interesting questions pertain to why NGOs operating in similar domains differ in terms of their structures, objectives, strategies, etc. and with what consequences. A generalizable theory will foster analytical clarity regarding NGOs' structures, processes, strategies, and facilitate comparison within NGOs and of NGOs with other collective endeavors.

Scholars in various disciplines study a same category of actor, non-governmental actor operating under a non-distributional constraint, but emphasize its different attributes and employ different typologies. The traditional distinction that NGOs and social movements are in the advocacy business and non-profits or NPOs in the service delivery business is getting blurred. Increasingly, both NPOs and NGOs tend to have a portfolio of activities that include both advocacy and service delivery. The next step would be to begin thinking in terms of a combined category of non-profit, non-governmental organizations, NPNGOs.

Modeling NGOs as firms is likely to be more useful for some questions than others. We believe this perspective offers the maximum payoff for understanding why NGOs emerge, how they structure internal organization to mitigate agency problems, and how they acquire resources. This modeling strategy adds less value for the issue of NGO efficacy, where political science and sociology literatures are quite developed, even though they arguably suffer from a selection bias problem that is rooted in the normative preferences of the scholars (how "good" NGOs succeed despite the odds). Moreover, the problem is accentuated by significant reliance on the case study method where case selections are based on the value of dependent variable, namely, advocacy success.

“Large N” studies, we suspect, would force researchers to examine cases selected on independent variables (predictors of advocacy success) rather than the dependent variable (King, Keohane, and Verba 1994).

While we certainly want to provoke NGO scholars, we also want to encourage conversations among scholars who broadly study collective action. In addition to modeling NGOs as firms, one might think of modeling firms as NGOs. Increasingly, firms are involved in activities subsumed under corporate social responsibility that do not directly support their core mission of profit maximization. Often, socially responsible activities cannot be defended with the traditional techniques of project assessment such as Net Present Value or Internal Rate of Return (Prakash 2000). We are not suggesting that socially responsible policies are not pursued for instrumental reasons; research suggests that they are. Nevertheless, careful research is required to explain why the proclivity for such policies varies across firms even after controlling for usual culprits such as industry type, firm size, etc. Arguably, the normative orientations of managers play an important role in this regard, something that theories of firms are ill equipped to address. The study of NGOs and firms as parallel forms of collective action will, therefore, be useful, as NGO scholarship has paid considerable attention to the normative foundations of collective action. By recognizing that rationalist accounts might be underspecified (Miller 1993), theories of firms can be improved. The role of leaders as norm entrepreneurs within firms and how they shape firms’ policies will require close examination.

To conclude, our plea is for reducing the bewildering explosion of theories seeking to explain essentially the same category of actor: non-governmental actors working under a non-distributional constraint. Our criticisms are directed at scholars who

overstate the uniqueness of NGOs, underemphasize their collective character, and refuse to engage with core issues that any collective endeavor is likely to face. Cross-fertilization among scholars studying different types of collective endeavors will hopefully create new insights that will move the research program forward.

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