A Concept Paper:
Exploring the Dimensions of Nonprofit Competition
through its
Supplementary, Complementary, and Adversarial Relationships with Government

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Abstract
Nonprofits contribute to communities and society through service delivery, innovation, knowledge-building, and civic engagement. They frequently partner with and push government to better serve its citizens through relationships that have been characterized as supplementary, complementary, and adversarial (Young, 2006). In all of these roles and relationships, nonprofits must compete for resources, time, and attention with other nonprofits, government entities, and for profit organizations within communities, nationally, and internationally. Competition sometimes shapes and sometimes is shaped by public policies that affect the rules of the game. In this conceptual paper, we explore the dimensions of nonprofit competition and the implications for the nonprofit-government supplementary, complementary, and adversarial relationships.
Introduction

According to the National Center for Charitable Statistics (NCCS) there are 1.4 million nonprofits in the United States (NCCS Business Master File 2013). These organizations exist in many shapes and sizes. Some of these organizations are communities of faith and some are secular. Some exist to provide immediate relief for human suffering, while others focus on changing systems and preventing future suffering. Some build culture or work to restore the environment. Some focus on knowledge-building and dissemination. Some develop services based on tradition, while others strive to develop new innovations. Some are associations, some are intermediaries, and some deliver direct community services. The one thing that makes all of them nonprofit is that they cannot distribute profits outside of their organization to other individuals or organizations.

Distributing a profit is the primary goal of a for profit enterprise. The promise of future profits is what brings investors to businesses to provide for profits with the capital they need to fund the infrastructure (buildings, land, equipment, etc.) to develop and deliver their products. For profits compete for these investments. They also compete for consumers to purchase their products and services so that they have profits to distribute back to their investors.

This difference between for profit and nonprofit organizations created a traditional view of nonprofits that indicated nonprofits do not compete. In fact, nonprofits do compete with each other, with for profits, and with government organizations to meet their resource needs and fulfill their missions. Nonprofit existence requires investors and consumers just like for profit existence. Because of the government rules that define the nonprofit space, however, the dimensions of competition facing nonprofits and the implications for society of that competition must be examined differently than competition for the survival of a for profit firm. Thus, nonprofit competition is complex, changing, and the implications need to be understood.

The literature also indicates that nonprofits and for profits have begun competing more in spaces traditionally dominated by the other (Weisbrod 1997; Cordes & Steuerle, 2009; Frumpkin & Andre-Clark, 2000). Additionally, new for profit models have emerged that create hybrid organizations with characteristics of nonprofit and for profit organizations. The two most recognized hybrid organizational structures are L3Cs and BCorps. An L3C is a low-profit limited liability company—a new form of limited liability corporation (LLC) that combines business features of a LLC with the social conscience of a nonprofit (Capriccioso, C., Zwetsch, R. & Shaver, E. 2012). A BCorp is a for benefit corporation that harnesses business structures and methods to benefit society. BCorps are certified by B Lab if they meet certain standards. Today there are about 700 BCorps in the United States and Canada (http://www.bcorporation.net/what-are-b-corps). This paper does not explore the specific implications of these hybrid organizations for the nonprofit-government relationship, but we acknowledge them here as a further complication for nonprofit competition.

Finally, while nonprofits need to compete for their resources, they are mission-driven as they seek out the resources. The nonprofits have a particular membership, constituency, or community base (collectively beneficiaries) that they seek to serve. Competition for resources creates a need for the
nonprofits to sometimes shape services and outcomes based on the goals of the funders; funder ideas about the ways that services should be delivered and the outcomes the nonprofit should seek may not be the same as the way the services and outcomes would have been shaped by the nonprofit and its constituents. The need to compete for resources creates a tension that the nonprofits must navigate between the top down ideas and mandates of funders and the bottom up ideas and desires of constituents. How nonprofits navigate this tension has implications for civil society, the nonprofit sector, nonprofit beneficiaries, communities, and the nonprofit-government relationship.

In this conceptual paper, we explore the dimensions of nonprofit competition and the implications for the nonprofit-government supplementary (independent), complementary (aligned), and adversarial (change) relationships. We take a broad view of nonprofits rather than focusing on a specific type of nonprofit or a particular policy area to examine the scope and breadth of competition facing nonprofits. Our conceptualization suggests the need for empirical studies that explore whether nonprofit competition is good or bad for society through the dimensions of competition and the nonprofit-government relationship. Nonprofit competition may foster more efficiency or effectiveness; stimulate more discussion, innovation, and knowledge; and, it may engage citizens more in their society. But, it may not. Competition may impede collaboration, but it may also help it. The point is that we do not know the impacts of competition without systematically studying it.

This paper is structured as follows. First, we introduce the concepts of government-nonprofit relationships and competition. Next we provide an overview of our conceptual framework dimensions. The bulk of the paper is spent exploring the competition dimensions, especially as they relate to government-nonprofit relationships. We conclude with implications of competition for government-nonprofit relationships, and suggestions for further research on the dimensions and implications of nonprofit competition.

**Complementary, Supplementary, and Adversarial Government-Nonprofit Relationships Framework**

The complementary, supplementary, and adversarial nonprofit-government relationships framework developed by Young (2006) creates a useful lens for examining the competitions in which nonprofits engage (See Table 1). As characterized by Young (2006), nonprofits help improve society through their relationships with government in three primary ways. Nonprofits partner with government to provide more of what it has defined that society needs (complementary). Nonprofits fulfill societal demands not currently being met by government (supplementary). Finally, nonprofits help governments improve society through an adversarial relationship whereby nonprofits identify government policies or resource allocation strategies that do not match the needs of society and strive to change them; many would refer to actions in this category as advocacy. In this paper, we have renamed the three nonprofit-government relationships as aligned (representing complementary), independent (representing supplementary), and change (representing adversarial).

In each of the three distinct roles, nonprofits have important contributions to make in strengthening society, and these contributions may be hindered or helped by competition. The particular type of relationship with government also shapes the competition space of nonprofits through the rules and
regulations that define the nonprofit sector (primarily tax laws) and the contributions made to it; the rules, regulations, and standards that shape government-mediated grant and contract competitions and awards; and, the policy and budgetary decisions that determine resource allocations for government funding. Thus, the framework provides a mechanism for teasing out the many angles of competition in a way that helps us to understand the “so what?” or impact of the competition for not just the individual nonprofit, but for society as a whole.

**Table 1: Nonprofit-Government Relationships**

<table>
<thead>
<tr>
<th>Types of Nonprofit Cross-Sector Relationships</th>
<th>Definition (Nonprofits &amp; Government: Collaboration and Conflict, 2006, pp. 39-40)</th>
<th>For Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complementary/Aligned</td>
<td>Nonprofit partners with government or business, helping to deliver goods and services</td>
<td><img src="change" alt="Diagram" /></td>
</tr>
<tr>
<td>Supplementary/Independent</td>
<td>Nonprofits fulfill societal demands not currently being met by government or business</td>
<td><img src="change" alt="Diagram" /></td>
</tr>
<tr>
<td>Adversarial/Change</td>
<td>Nonprofit prods government or businesses to make changes and be accountable</td>
<td><img src="change" alt="Diagram" /></td>
</tr>
</tbody>
</table>

**Types of Competition**

When thinking of competition, typically the description of free market competition is what comes to mind. There are other types of competition, however, that must be considered when discussing the competitive environment of nonprofits. Governments and other funding intermediaries sponsor competitions to accomplish their goals. These mediated competitions must also be considered.

In the United States, the standard of an efficient economy – and therefore efficient delivery of goods and services – is based in the concept of a competitive marketplace (Wiemer & Vining, 2005). In this market, producers of goods and services compete to provide just the right amounts of goods and services at just the right prices to the consumers that purchase them. If producers are not able to price
their goods and services at rates that consumers are willing to pay, or if they do not produce goods or services that consumers want, then they go out of business. Essentially, the consumers decide which products and services will exist, and which firms will deliver them based on their willingness to pay.

Theoretically, competitive markets are the most efficient means of providing goods and services, however, these markets have failures that compromise their ability to provide all the goods and services a society desires. For example, a society may want to ensure that its citizens have food, housing, and education even if they cannot afford to pay what it costs to produce these goods and services. In these cases, the government steps in to either deliver the desired goods and services directly, to foster the delivery of those goods and services, or it provides vouchers so that consumers can make market choices.

When the government decides to take the service delivery route, it creates the parameters of the market by designing the rules, regulations, and performance standards for competition. Then, it determines which organizations are eligible to compete for the delivery of these goods and services; these organizations may be nonprofit organizations, for profit organizations, and other governments. Competition that is initiated by and decided through the institutions of government is called mediated competition (Kincaid, 1991). This type of government-mediated competition has been common in the delivery of local government services since the 1990s when the reinventing government movement was popularized by the work of Osbourne and Gaebler (1992). That movement borrowed from the principles of the for profit arena to suggest that government would be more efficient if it had to compete with other entities to provide its own services.

At the federal level, the government has begun to foster more competition to improve social policy outcomes. It is mediating these competitions in both long-term programs like Head Start, and new initiatives to stimulate or scale innovation as in the US Department of Education’s i3 Program and the Corporation for National Community Service’s Social Innovation Fund (SIF). In the case of Head Start, the government is newly introducing the competition for existing grantees that do not meet new performance benchmarks in terms of the quality of services they are delivering for low income children and families. The i3 and SIF programs, on the other hand, were designed as competitions to foster new ideas and solutions, and to take to scale solutions and programs that have an evidence base. All three of these competitions involve competition within the nonprofit sector, but they also encourage collaboration within and across sectors.

A third type of competition exists that mirrors the characteristics of the government-mediated competition. The difference is that this third type is initiated by and decided through non-governmental funders. These funders include nonprofit intermediary organizations like the United Way, foundations, and business. Like government, these funders have goals they want to accomplish and resources they can provide, but organizations must compete to obtain these resources. As indicated by Frumpkin and Andre-Clark (2000): “Nonprofits must compete aggressively for these funds by committing to specified outcomes within their proposals. Few organizations are in a position to demand either a greater autonomy or a relaxation of grant guidelines” (p. 143).
Thus, there are at least three types of markets in which nonprofits may compete. The “pure” market where they compete for the beneficiaries/consumers of their services and private donations, the government-mediated market where they compete for government funds to meet needs as defined by government, and the other funder-mediated market where they compete for foundation or business support to help those organizations accomplish their goals. These markets, however, represent externally identified needs and sets of goals. The nonprofits also have their own goals and are identifying the needs of the communities they serve on an emerging basis. That means that they must compete in the space between the markets to surface the new needs and identify funders – perhaps individual donors – to support services in that space. Figure 1 illustrates the complex configuration of markets and competition in which the nonprofits engage. The area shaded in gray represents nonprofit competition, but the area not shaded in gray recognizes that for profit businesses and governments are also competing in these spaces.

**Figure 1. The Nonprofit Competition Space**

**Competition and Collaboration**

This discussion of competition is not meant to suggest that there is not also collaboration within the nonprofit sector and across the nonprofit, business, and government sectors. Nonprofits are competing and collaborating at the same time, and sometimes with the same entities. As a study by Lammers (1990) indicates, competition exists, but “it is a complex phenomenon that is tied up with cooperation, and it is not present for all [organizations]” (p. 182).

In some cases, nonprofit organizations are collaborating to strengthen their competitive position (Bunger, 2012; Gazley & Brudney, 2007). For example, a survey of Georgia local governments and nonprofits (Gazley & Brudney, 2007) indicates that both nonprofits and governments were able to secure additional resources for their respective organizations by engaging in nonprofit-government collaboratives. Many respondents also indicated that collaboration improved the quality of services and programs, increased the level of services, and saved the organization money. Additionally, the rules of the competition may require collaboration. For example, in the US Department of Education’s i3
Program, nonprofits can only compete for funds if they are working in collaboration with local education agencies or a consortium of schools. They also collaborate with competitors through coalitions to achieve policy goals that will benefit all. It is beyond the scope of this paper for fully explore the collaboration-competition spectrum, but as we discuss the dimensions of competition we also point out where collaboration and competition are entwined.

**Our Nonprofit Competition Conceptual Framework**

The conceptual framework is based on the notion that nonprofit competition is multi-dimensional, occurs in many arenas, has linkages to government relationships, and is experienced by all types of nonprofit organizations. Nonprofit competition occurs across sectors—government, business, and nonprofit. Nonprofit competition occurs within and across policy areas, that is nonprofits do not only compete with organizations that are similar in mission. Finally, the scope of competition is broader than most organizations may imagine. Even community-based organizations with local missions may compete on some dimensions against other organizations around the country and around the world.

**Overview of Dimensions**

We posit that there are five dimensions of competition: (1) relationships between nonprofits and government; (2) resource types; (3) beneficiary types; (4) types of organizations competing; and (5) scope of competition. These five dimensions interact with each other to create the competition space for each individual nonprofit, but cumulatively they create a competition space for the sector as a whole. Following a description of each dimension, we present an exploration of the dimensions by dividing the competition space by the types of resources for which nonprofits are competing, and whether that competition is largely in the private or public marketplace. This yields a discussion of six types of resource-relationship mixes. A description of the resource-relationship mix, a table depicting dimensions, and one or more examples is provided to illustrate the concept. The six resource-relationship mixes are: competing for resources in the private marketplace (Table 2), competing for beneficiaries (Table 3), competing for complementary or government-aligned resources (Table 4), competing for supplementary or independent resources (Table 5), and competing for hearts and minds (Table 6).

**Dimension 1: Relationships Between Nonprofits and Government**

This resource space is largely defined by government tax policies, but the resources in it may be granted by other organizations, like other nonprofits or businesses. Additionally, it encompasses the complementary (aligned), supplementary (independent), and adversarial (change) relationships with government.

**Dimension 1a: Level of Government**

Nonprofits interact with governments at many levels. Here, those levels are represented as local, state, national, and international. Local governments are city, county, school system, or other regional governments that exist below the state level. State governments represent the
50 U.S. states. The national government is the U.S. government. International governments are those outside of the U.S.

**Dimension 2: Resource Types**

These are the types of resources for which organizations are competing. The tables identify various types of inputs -- space, equipment, materials, volunteers, staff; funding – contracts, grants, financial donations; and hearts and minds – captured through sentiment and attention. The resources may be supplied by governments, but they may also be provided by individuals, foundations, and businesses.

**Dimension 3: Beneficiary Types**

Beneficiaries are the recipients of the services provided by the organization. Types of beneficiaries include members, private pay clients, voucher clients, and free service clients.

**Dimension 4: Types of Organizations Competing**

This dimension indicates with whom the particular nonprofit is competing. In each table, the types of potential competitors are indicated in the left-hand column. The types of organizations fall into three categories: nonprofits, government, and business. Within the nonprofit and for profit categories, nonprofits may be competing against other organizations in the same field (i.e. healthcare nonprofits vs. healthcare nonprofit or healthcare for profit) or against organizations in different fields (i.e. healthcare nonprofits vs. child welfare nonprofit or child welfare for profit). Same field and other field are determined by the primary purpose of the organization. The government category has been divided into three areas: public schools, public colleges and universities, and other government.

**Dimension 5: Scope of Competition**

The scope of the competition divides the breadth of the competition into three levels: community, national, and international. This scope denotes where the competing organizations are likely to be located. Community refers to the immediate neighborhood(s) in which the organization is located. National refers to larger than the community but within the bounds of the U.S. International refers to any area broader than the U.S.

**Exploring the Dimensions**

The government-nonprofit relationship has been characterized as being supplementary, complementary, and adversarial (Young, 2006). A single nonprofit could have all three relationships with

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**The Continuous Example**

The nonprofit organization that serves as the continuous example began 40 years ago. Its mission is to ensure affordable, accessible, high quality child care services for all children and families. During the 15 years that the author worked there, the budget grew from less than $500,000 to $30 million, the staff grew from fewer than 10 to more than 100, and the service delivery area grew from a single county to the national level. The organization collaborated and competed to garner the resources needed to fulfill its mission.
a single government organization. Similarly, a single nonprofit could have these relationships across multiple governmental organizations. Additionally, nonprofits compete with each other, with other governments, and with for profits for these relationships with government. The competition space in the relationship with government is constrained by the time, resources, and rules that governments impose on the issues of interest to the nonprofit organizations.

Following we further explore the dimensions of the competition space in the relationship with government. We begin with a focus on exploring the dimensions of competition within the private marketplace and the competition for beneficiaries. We then discuss competition within the complementary (aligned), supplementary (independent), and adversarial (change) relationships with government. Within each description we provide examples of what these kinds of relationships look like through the lens of one particular community-based nonprofit organization where one of the authors worked for 15 years. Providing a continuous example helps to show the complexity of competition as it plays out at the organizational level. We add other examples periodically to illustrate diversity of the competitive environment.

Competing for Resources in the Private Marketplace

Competition within the private marketplace is largely defined by government tax policies (See Table 2). Businesses, governments, and nonprofits (largely communities of faith) allow other organizations to use their space, equipment, or materials at costs less than the market rate, representing an in-kind contribution. Sometimes businesses allow nonprofit or government organizations to purchase space, equipment, or materials at a reduced price. Similarly, individuals and organizations may offer in-kind or reduced price space, equipment, materials, cash donations and/or volunteers to help nonprofits and government accomplish their work.

In a 2010 Urban Institute survey of human services nonprofits receiving government funds, more than half of the survey respondents indicated that they had at least one government contract or grant where they were required to match or share some costs (Boris, de Leon, Roeger & Nikolova, 2010). Match can sometimes be provided as the value of in-kind or volunteer time to meet the matching requirements. Thus, obtaining these kinds of resources not only allows nonprofits to do their work more cost-effectively, but helps them to leverage other funding streams.

Competitors for these resources are likely to be nonprofit and governmental organizations, but not businesses. Additionally, the competition will occur at the community, national, or international levels depending on the type of resource. Space is a resource that is typically sought at a community level because the organization frequently needs to accommodate foot traffic in the community that it serves.
Typically, the scope of the competition for particular resources would be fixed for particular organizations. For example, if a nonprofit operates within a single community, that organization is primarily competing for resources within that community. However, the scope of competition for free or reduced price materials provided by business depends on the breadth of the business markets. A business with headquarters in a particular town may provide donations within that town, but also a broader area – nationally or internationally depending on the reach of the business.

Continuing the Example, Obtaining Reduced Cost Space

The nonprofit organization was at one point expanding, and needed a larger space for staff. They decided they wanted to seek a permanent home. In their search for a building, they found a for-profit company that was seeking to sell its building. The nonprofit was able to negotiate a deal with the for-profit that allowed the nonprofit to purchase the building for half its value with the for-profit donating the value of the rest. This in-kind donation of space allowed the nonprofit to purchase the building, expand service delivery, and provide services at a lower cost. This space had been for sale on the open market. The nonprofit had to compete with for profit and nonprofit entities that could have purchased it.

Similarly, community-based nonprofits are likely soliciting donations at a local level. They may view their competition as other local causes to which a donor may give. However, depending on the interests of their donors, the local nonprofits may actually be competing against national and international charities and interests. For example, a donor may have a fixed amount of money that he or she is willing to contribute in a year. That donor may have a variety of interests – alleviating homelessness, preserving animal habitats, and supporting political campaigns for a particular party. Therefore, that donor may give a portion of their money to the local homeless shelter, the national political party, and the international wildlife fund.

During times of national and international crisis, the scope of competition for resources shifts as individuals and companies respond to emergency needs. Volunteers who would normally have contributed their time locally, travel around the country or around the world to help meet the needs of victims of floods, hurricanes, tornados, earthquakes, and fires. Similarly, individuals and businesses provide cash and in-kind donations to these victims that might otherwise have stayed in their own communities. If these emergencies generate more giving and volunteering than usual, then they do not actually increase competition for resources. However, if the disasters shift giving from one place to another (e.g. they act as substitutes), then they do increase competition for resources.
## Table 2: Competing For Resources in the Private Market

<table>
<thead>
<tr>
<th>Types of Competitors</th>
<th>In-Kind or Reduced Price Space</th>
<th>In-Kind or Reduced Price Equipment</th>
<th>Other In-Kind or Reduced Price Materials</th>
<th>Financial Donations</th>
<th>Volunteers</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonprofits</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Same Field</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community*</td>
<td>Community National</td>
<td></td>
</tr>
<tr>
<td>Other Fields</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community*</td>
<td>Community</td>
<td></td>
</tr>
<tr>
<td><strong>Governmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Schools</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community*</td>
<td>Community</td>
<td></td>
</tr>
<tr>
<td>Other Gov’t Entities</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community National International</td>
<td>Community*</td>
<td>Community</td>
<td></td>
</tr>
<tr>
<td><strong>For Profits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Community National International</td>
<td></td>
</tr>
<tr>
<td>Same Field</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Fields</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Community</td>
<td></td>
</tr>
</tbody>
</table>

*Except for board members and when disasters occur. At these times, community volunteers may be drawn to national or international disaster scenes creating competition on a different level.
In terms of staffing, the community-based nonprofit is most likely to compete on a local level with other nonprofits, businesses, and governments. The competition arenas for direct service staff and back office staff are likely to be somewhat different. Technology and accounting staff exist across all types of organizations, and may not select their employer based on mission. This could make it more difficult for the nonprofit to attract and keep these staff. Direct service staff are likely to have more differentiated expertise and a desire to work in an organization with a particular kind of mission, but that mission focus may be fulfilled by working in any kind of organization with a social purpose – for profit, nonprofit, or government. The more specialized the skill set needed, the fewer organizations the nonprofit is likely to be competing with.

Competing for Beneficiaries

Direct beneficiaries (See Table 3) of nonprofit services fall into two primary categories: (1) members who pay dues to receive benefits from the organization, or (2) clients/customers who obtain services from the organization. Both categories of beneficiaries may be either individuals or organizations. Clients/customers of service may access services free of charge, through voucher-based payments, or as private-payers. The competitive market for clients/customers is a bit narrower than it is for the other resources because only be met by services in the same kind of market. client payment compete to serve the private-pay clients a per-client basis.

Continuing Example, Competing for Staff

The organization has experienced competition for staff from all sectors. It found it had to change its pay scale and educational requirements to compete with businesses for the kinds of technology support staff that it needed. On the flip side, the nonprofit often found itself in the position of training ground for employees that would later move on to government jobs requiring substantive knowledge in their field. The nonprofit would hire individuals with limited experience, provide them with hands on experience and training, and within a year or two the employees would apply for government positions that required the same types of experience and training. Competition for labor was a constantly challenging area.

Continuing Example, Seeking Clients

The organization provided a free referral service for families looking for child care. The largest funder of these services reviewed service levels and spending levels mid-way through the fiscal year. If either spending or client counts were low, then the organization could have part of its contract dollars withdrawn.
number of clients to receive full payment for their contract award. In that way, the income generated is still tied to the numbers of clients being served even if the client is not paying.

The competitive market for members encompasses both same and other fields, but it is limited to associations, which are by definition nonprofits. For example, an individual may have multiple interests supported by multiple associations, but the individual cannot afford to be a member of every association that might be helpful. The individual must choose which associations to join in order to fit within his/her budget constraint, and therefore associations must compete across fields for members.

Table 3: Members and Clients/Customers

<table>
<thead>
<tr>
<th>Types of Competitors</th>
<th>Members</th>
<th>Free</th>
<th>Voucher-Based</th>
<th>Private-Payers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofits Same Field</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Nonprofits Other Fields</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Profits Same Field</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Government Same Field</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Complementary (Aligned) Relationships

A complementary or aligned relationship between nonprofits and governments occurs when governments cannot provide enough of the service they identify as a need. For example, the government may have a waiting list for their child care subsidy assistance program that is designed to help low income parents pay for child care so that they can go to work. Nonprofits with a similar mission may seek government funds to provide more of that same service targeting the same population with the same eligibility requirements, but serving the families that are on the waiting list for government services. Those nonprofits may be able to bring funds from other sources to the service delivery. In this way, the nonprofit collaborates with government by offering to help meet its service goals but has to compete with other organizations to obtain the funds to complement the service.

A complementary relationship between nonprofits and governments also exists when government contracts with a nonprofit to replace what had been government-delivered services. Government may determine that delivering the service directly is less efficient or effective than contracting with another organization to deliver it.
Table 4: Competition for Government-Funded Service Delivery Grants and Contracts that Complement (are aligned with) or Replace Government Services

<table>
<thead>
<tr>
<th>Types of Competitors</th>
<th>Complement Grants</th>
<th>Complement Contracts</th>
<th>Replacement Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofits Same Field</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Nonprofits Other Fields</td>
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</tr>
<tr>
<td>For Profits Same Field</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Government Same Field</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*Nonprofits may also compete for funding from nongovernmental sources to complement the government services.

Continuing Example, Aligning with Government to Provide More Child Care Subsidy Funds

In North Carolina child care subsidy services are traditionally administered by county governments. The funds are a mix of state and federal dollars allocated by state government to the counties. The county governments may choose to administer the dollars themselves or to contract with an organization to administer the services on their behalf (replacement). Some county governments contract with nonprofit organizations to deliver those services.

Child care subsidy funds are not an entitlement. This means that there are frequently not sufficient funds to serve all families that need the assistance. In 2012, the N.C. Early Childhood Advocacy Coalition reported that 42,000 children were waiting for child care subsidies in North Carolina. This situation points to a need for complementing or aligning with the existing government services.

One nonprofit organization works to complement those child care subsidy services by garnering additional funding from the United Way, government grants, other funding sources available to nonprofits, and individual donations. That organization runs its own child care subsidy program and uses some of the funds to serve individuals waiting for the county child care subsidy funds enabling more individuals to receive county-equivalent benefits. In neighboring Durham County, NC, that same organization has been selected as the replacement service provider for county delivery of the services. This nonprofit organization collaborates with government to deliver both the complementary and replacement services, but they must compete with other organizations to obtain the resources and they must compete with other organizations—including government agencies that administer the services—to be selected as the replacement deliverer of services.
The competition for government funding to provide these complementary and replacement services is indicated by Table 4. Nonprofits seeking government grants have to compete with other nonprofits. Grants are typically awarded to nonprofit organizations, but a contract mechanism is more likely to be used when the government wants to obtain complementary services from for profit or other government entities. Contracts for complementary or replacements services would have to be with organizations providing services in the same field. However, some of the organizations may provide services across many fields with the same field being one of their service areas.

Supplementary Relationships

While providing enough of the government-defined services is important for the population that needs those services, those government-defined parameters typically target some populations and activities and leave other populations and activities out. Nonprofits typically fill service needs not met by government. These kinds of services are characterized as supplementary to government services.

Supplementary services may be very similar to government services, but expand the populations served (e.g. by age, income, type of disability, etc.) or provide additional services to those receiving the government support. Supplementary services may also be completely different from what the government is already doing but help the community and society to innovate, build knowledge, and facilitate civic engagement (See Table 5).

Schools are an obvious place that nonprofits build knowledge. Charter schools supplement public school services by providing alternative choices to families and children. Other kinds of nonprofits, however, also build knowledge by testing out and documenting particular service delivery methods, participating in evaluations, and building an evidence base for development and delivery of future services. The Urban Institute represents a type of organization that builds knowledge by conducting research and sharing the results with the public. Knowledge-builders must compete with similar and dissimilar organizations for funds to conduct their research, evaluation, and dissemination or teaching. Sometimes they collaborate with each other to strengthen their competitive position. Their competitions and collaboration cross the sectors.

Continuing Example, Providing Wrap-Around Subsidy Funds

The nonprofit also seeks out resources that allow families not eligible for government-supported child care subsidy funds to access other forms of assistance. The county government-administered funds are constrained by income eligibility guidelines that are set statewide, regardless of the cost of living in the specific counties. One of the counties the nonprofit serves has one of the highest costs of living in the state which means that families become ineligible for county-provided help at an income level that is not sufficient to support their child care needs. The nonprofit and county government collaborate to transition families from the county-administered program to the nonprofit-administered program when the family incomes reach the tipping point.
Nonprofits also compete to innovate. Governments often benefit from these innovations. As discussed earlier, sometimes governments sponsor the competitions that lead to innovation. In other cases, they may adopt innovations once they are proven to work.

### Table 5: Competition for Grants or Contracts that Supplement Government Services

<table>
<thead>
<tr>
<th>Types of Competitors</th>
<th>Competing for Resources to Deliver Services</th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Types of Competitors</td>
<td>Expand Populations Served</td>
<td>Special Services to Special Populations</td>
<td>Innovation</td>
<td>Knowledge Building</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Nonprofits</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other Fields</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Public</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Colleges &amp; Universities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public Schools</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>For Profits</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Same Field</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other Fields</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Finally, nonprofits compete to promote civic engagement experiences for children, youth, and adults. In this case, we are not talking about advocacy but rather encouraging individuals to participate on government boards and committees, to vote, and to otherwise help in their community. For example, the John S. and James L. Knight foundation provided between 28 and 205 grants per year between 2005 to 2013 to foster “engaged communities” (See web-page: http://www.knightfoundation.org/grants/?focus_area=3).

**Continuing Example, Spreading Innovation**

The nonprofit developed a pilot project with the aid of a local foundation to improve child care teacher education. Once the nonprofit demonstrated improved educational outcomes from the pilot, the state government provided funding to expand the program statewide. Over the years, the community-based nonprofit collaborated with other nonprofit organizations and governments around the country to spread the innovation. Twenty years after the pilot the program is operating in 23 states and the District of Columbia (CCSA 2011-12 Annual Report).
Adversarial (or Change)

The competition for the hearts and minds of the media, the public, and government officials is the dimension of the nonprofit-government relationship that Young (2006) characterizes as adversarial. The adversarial relationship is one where nonprofits identify changes that they feel need to be made in the way that government operates to better serve the community in particular ways. The changes may be in the amount of resources allocated, the strategies for meeting needs, and the laws, policies, and procedures that dictate how needs are defined or how they are met. The word adversarial may connote a negative relationship, but this is not always the case. While nonprofits are working to change government actions, they may be educating the media, the public, and elected and administrative officials about the issues and then working with the government for change. Some government policies may be changed administratively, and therefore gaining the attention of civil servants is important for making change. Some government policies can only be changed through votes of elected bodies such as town councils, county commissioners, state legislatures, regulatory bodies or Congress. In these cases, the attention of elected officials is needed to make change.

The adversarial or advocacy space requires nonprofits to compete with each other, governments, and for profits for the hearts, minds, and attention of the media, the public, and government officials. Communities have many important needs, and limited resources to address them. Thus, competition occurs around framing the needs, prioritizing resource allocation, and in determining which strategies best meet the needs. In Table 6, the resource that is the object of competition is framed as attention or sentiment. This is because gaining the attention of elected or administrative officials or the media is the first step in having issues understood and acknowledged. Attention also refers to the time they might spend on digging into the issues on their own, networking with their colleagues to put the items on agendas, and participating in crafting legislative or allocation language for the consideration of their peers. Similarly, public action begins with garnering sentiment. Once the public has an interest, they will promote the issues through the media and direct interactions with their government officials. Thus, nonprofit competition for attention and sentiment may motivate civic participation around policy and budget issues.

**National Human Services Assembly**
(http://www.nassembly.org/

The National Human Services Assembly is engaged in an effort to reframe human services to focus on human development that affects all people rather than the current frame which is understood as services for certain others. Research shows that many people think about human services in frames that are negative and that these frames are barriers to supporting policies and programs that those same people favor when reframed in terms of values and supports that benefit all families. In the competition for resources and attention, this reframing could be critical for making the case for government safety net expenditures, prevention-oriented services and opportunity investing, in the competition for government resources.)
Table 6: Adversarial (Change) Efforts to Improve Government and Conditions: Local, State, National, and International

<table>
<thead>
<tr>
<th>Types of Competitors</th>
<th>Elected Officials’ Attention</th>
<th>Administrative Officials’ Attention</th>
<th>Media Attention</th>
<th>Public Sentiment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofits</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Same Field</td>
<td></td>
<td>Budget and Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Fields</td>
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<tr>
<td>Public Schools</td>
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<td></td>
</tr>
<tr>
<td>Public Colleges &amp; Universities</td>
<td></td>
<td>Budget and Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Gov’t Entities</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Profit</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Same Field</td>
<td></td>
<td>Budget and Policy</td>
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<tr>
<td>Other Fields</td>
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</tbody>
</table>

Nonprofits must compete to create the space in which their concerns will be considered. They compete with other nonprofits that have different priority areas or opposing priorities, and with for profits with their own priorities. Within a particular issue area, nonprofits and for profits may also compete for attention for what they think are the best strategies for dealing with the issues. Such groups are likely to have closely related missions.

Despite the important role that nonprofits play in advocating for societal change, nonprofits are constrained in their advocacy efforts based on the type of nonprofit they are as defined by their particular tax status. Government rules define the kinds of advocacy in which they can engage, what percent of their budget that can be used for that activity, and whether government funds the nonprofit received may be used for that activity at all.

Groups are also coming together as coalitions to foster greater leverage of their own time and voices in larger policy discussions which helps nonprofits offset the limitations imposed by their tax status. These groups may span across nonprofit, for profit, and government organizations. The nonprofit we have been following throughout this paper participates in a number of coalitions, but is an active member in a particular coalition that works on behalf of the children, families, and child care operators that are the primary beneficiaries of the nonprofit. The coalition is called the North Carolina Child Care Coalition.
Concluding Thoughts on Dimensions of Competition

This exploration of the dimensions and types of competition suggests that many nonprofits engage in competition on a daily basis for some resources. Just like for profit organizations, nonprofits must compete for customers (beneficiaries), inputs (labor and capital), investors (funders and individual donors), and for the hearts and minds of the government officials that allocate resources and make policy decisions, the media that often frames the story, and the public that can stimulate discussion and action. Nonprofits face many of the same competitive challenges as for profits including an expanding scope of competition in which even organizations that seek only to provide neighborhood-based services must compete globally for some resources.

Nonprofits also face many of the same challenges as government. They deliver government-defined services alongside or as a replacement to government delivery. Like government, they face the challenge of pricing these services, and determining how to provide services for individuals who cannot pay but who fall within the parameters of the nonprofit’s mission. Like government, they must meet standards other than efficiency and financial return-on-investment.

The combined need to compete like businesses and to function like government has implications for the management of individual nonprofits, the roles of nonprofits in society, and the nonprofit-government relationship. Nonprofits must juggle societal expectations of what it means to be nonprofit, while competing to secure market and funder-mediated resources. At the same time, they are independent operations with their own missions, goals, and constituencies to serve. Additionally, they do not enjoy the same avenues for raising revenues as either governments or for profit businesses.

What are the implications of this competition web for nonprofits, the communities they serve, and their relationship with government? Next, we suggest some areas for future research in this regard.
Areas for Future Research on the Nonprofit Competition Web

Implications for Society

Is this nonprofit competition good or bad for society? On what does that answer depend?

- Theories about the roles of nonprofits in society?
- How many types of competition the nonprofit must participate in?
- The intensity and duration of the nonprofit competition?
- The types of nonprofits that win or lose?
- The extent to which competition fosters or drives collaboration?
- Whether the competitors are government, businesses, or other nonprofits?

Does nonprofit competition for resources in the private market make nonprofits more efficient (as it is supposed to do for business)? Does nonprofit competition for resources in the private market make nonprofits more effective?

- What does more efficient mean in this context? Is it a cost per unit delivered or cost per person served or cost per outcome delivered?
- What does more effective mean in this context? Do nonprofits use data more, do they track and manage to outcomes more, do they rely on evidence more, do they evaluate their services more?
- To what extent does it matter the types of organizations nonprofits are competing against – other nonprofits, government or business?
- To what extent does it matter what the scope of the competition is – community, national, or international?
- To what extent does it matter whether they are competing against organizations that deliver services both inside and outside of their policy field?
- To what extent does it matter the types of items for which they are competing – labor (staff and volunteers), equipment, space, financial donations?
- To what extent do tax policies help or hurt the competitive position of nonprofits?
- To what extent does it matter how the competition is decided? For example, if the nonprofit is competing for donated space or donated equipment, does an increase in efficiency or effectiveness depend on how the winner of the competition is selected?

How do beneficiaries of services benefit from nonprofit competition to serve them?

- To what extent does it depend on the type of potential beneficiary?
- To what extent does it depend on the type of service?
- To what extent does it depend on the types and intensity of competition?
- To what extent does it depend on whether the beneficiaries are private pay, voucher-based, or free?
- To what extent are beneficiaries harmed by competition to serve them?
- To what extent does competition to serve beneficiaries foster collaboration within the nonprofit sector and across sectors?
- To what extent does it depend on the rewards and consequences that funders impose for serving particular kinds of individuals in particular ways? Or the outcomes that those organizations expect from service to the individuals?

What other benefits or consequences accrue to society because of private market competitions in which nonprofits must engage?

- How might civil society be hurt by the need for nonprofits to compete against business and government?
- How might civil society be helped when nonprofits compete against business and government?

Implications for Nonprofit-Government Relationships

Complementary/Aligned: Competition for government grants and contracts to provide services on behalf of government or instead of government.

- To what extent do competitions for government grants support a more efficient use of government resources? Does it matter whether the competition is within policy areas or across policy areas?
- To what extent do competitions for government contracts support a more efficient use of government resources?
- To what extent do competitions for government grants or contracts foster collaboration within the nonprofit sector or across sectors?
- How does the competitive environment affect the ability of nonprofits to garner grants or contracts that require matching funds?
- How do the requirements of government contracts and grants to secure matching funds drive competition in other markets?
- To what extent do nonprofits alter their missions or service delivery strategies to compete for government grants and contracts to provide aligned services? Are these changes a net positive or net negative for the community?
Supplementary/Independent: Competition for governmental or nongovernmental funding sources to provide services, development innovations, build knowledge, or engage citizens in ways that government may not normally do.

**Develop or Scale Innovations**
- To what extent does nonprofit competition to innovate benefit society? Does it matter what the funding sources are? Does it matter if the competition is within sector or across sector?
- To what extent does competition for resources and funds hurt innovation?
- To what extent does competition for resources and funds foster more innovation?
- To what extent does competition within the innovation space foster collaboration?
- How do programs like the Social Innovation Fund alter the competitive environment for scaling social innovations? Do they generate more competition or more resources or both?

**Build Knowledge**
- To what extent does nonprofit competition to build knowledge result in more knowledge generation?
- To what extent does nonprofit competition to build knowledge result in more access to knowledge?
- To what extent does nonprofit competition to build knowledge result in more ways of disseminating knowledge?
- In what ways does competition within and across sectors in the building knowledge arena foster innovations in research methods?
- In what ways does competition within and across sectors in the building knowledge arena foster innovations in teaching?
- To what extent does competition to build knowledge foster collaboration within and across sectors?
- In what ways does competition to build knowledge result in positive results for society? In what ways does it result in negative results?

**Engage Citizens**
- Does competition among nonprofits help or hurt in the engagement of citizens in identifying, strategizing about, and solving community problems?
- Does competition between nonprofits and government help or hurt in the engagement of citizens in identifying, strategizing about, and solving community problems?
- Does competition for resources to help citizens become more engaged foster innovations in citizen engagement?
- Does competition for resources to help citizens become more engaged foster collaboration to obtain resources?
Adversarial/Change: Prod government to make changes in policies, regulations, or resource allocations

- To what extent does nonprofit competition for public sentiment around budget or policy issues stimulate greater public involvement in the conversations? At the local, state, national or international levels?
- To what extent does nonprofit competition for media attention around budget or policy issues stimulate greater media involvement in the conversations? At the local, state, national or international levels?
- To what extent does nonprofit competition for administrative officials’ attention around budget or policy issues stimulate more government conversations around the issues? At the local, state, national or international levels?
- To what extent does nonprofit competition for elected officials’ attention around budget or policy issues stimulate more government conversations around the issues? At the local, state, national or international levels?
- How does the need for nonprofits to compete for hearts and minds affect efforts to reframe the issues?
- How do tax policies affect the ability of nonprofits to compete against for profits in the adversarial space?
- How does the need for nonprofit competition to secure the attention of elected and administrative officials foster greater collaboration within and across sectors?
- How does nonprofit competition in the adversarial realm affect nonprofit participation in other efforts such as innovating and building knowledge?

These questions, although many, are likely just the tip of the iceberg of what could be learned if we study the web of nonprofit competition systematically. Although thinking about nonprofits as competitors is not a traditional viewpoint, only research can tell us if competition within the nonprofit sector and across the sectors is good or bad for society. Studying competition through its dimensions and relationships with government could help us to understand the circumstances under which competition foster benefits for society or creates consequences. Further, understanding the linkages between tax policies, and the advantages/disadvantages they create for nonprofits in a competitive marketplace may foster more informed policy-making in the future.
References


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What are B Corps? [http://www.bcorporation.net/what-are-b-corps](http://www.bcorporation.net/what-are-b-corps)