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Unfunded Stakeholder Mandates and Nonprofit Performance Impacts

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Courtney L. Coe

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Walden University
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Abstract

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by

Courtney L. Coe

MA, Norwich University, 2005

BS, Saint Joseph's College, 2001

Project Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Public Policy and Administration

Walden University

January 2020

Abstract

Small nonprofit organizations, with annual budgets of $500,000 or less, are assigned many obligations by external stakeholders while conducting their mission-related work. However, little is known about the impact of these obligations or *mandates* being received from their external stakeholders, which rarely have funding allocated to minimize any capacity impact they create. The purpose of this study was to learn about whether, and how, the organizational capacity of small nonprofit organizations is impacted by unfunded mandates. Applying the theoretical framework of rational choice theory, the patterns revealed by the data allow the ability to draw conclusions based upon the lived experiences of study participants familiar with this phenomenon. Through a qualitative study, semi-structured interviews were conducted with 15 nonprofit executive directors, selected using a maximum variation (heterogeneity) purposeful sampling strategy. Analysis of the interview data was completed using focused manual coding and secondary coding by NVivo software. Upon completion of the data analysis, the results illustrated a complex impact upon organizational capacity, trending in both negative and positive fashions. These results may be of use for stakeholders to create positive social change by better informing all nonprofit industry participants about the impacts unfunded mandates are shown to create. These impacts may then reveal where restructuring practices within the nonprofit industry could negate the need for some of the more common unfunded mandates in the future.

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Chapter 1: Introduction to the Study

Introduction

Small nonprofit organizations, those defined as nonprofit organizations with annual operating budgets of $500,000 or less, are assigned many administrative obligations for completion. These are assigned by their external stakeholders and need to be accomplished while the nonprofit organizations are also conducting their mission-related work. However, too little is known about the organizational capacity impact of these unfunded obligations or *unfunded mandates* which are being assigned by the organization's external stakeholders. These mandates are known as unfunded mandates because they are additional tasks the organization is required to undertake without any offer or availability of additional funding to cover the expenses related to completing such mandates. Examples of such unfunded mandates can include additional registration requirements, new organizational infrastructure, additional organizational reporting, or other similar tasks. Due to the lack of additional funding to address these unfunded mandates, the nonprofit organizations can lose important capacity capabilities such as staff time, funding which they are required to redirect toward new overhead costs such as new infrastructure or registrations, or the ability to expand their mission-related activities.

The purpose of this qualitative study was to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less, in the Front Range Region of Colorado. Previously, there was minimal prior research that explored how unfunded mandates organizationally impact the capacity of smaller nonprofit organizations and none that explored such a phenomenon

across nonprofit subspecialties. A review of previous research showed that there was no conclusive information regarding whether nonprofit organizations operate out of compliance, whether mission-related work has been impacted - negatively or positively - with the focus on the professionalization and accountability requirements, or whether nonprofit organizations have decided to diversify or consolidate funding or activities differently because of certain stakeholders assigning additional, and typically unfunded, mandates.

The major sections included within Chapter 1 detail the topical background related to the study that was conducted, the formal problem statement of the study, and the purpose of the study. This is followed by the formal research question that was studied, a definition of the theoretical framework applied during the study, and a detailed explanation regarding the nature of the study. Also included is a definitions section, a description of study assumptions, scope and delimitations, limitations, and an explanation of the significance of the study. This is then all summarized before the Chapter 2 Literature Review, the explanation of the research plan as detailed in Chapter 3, the presentation of the results in Chapter 4, and finally the discussion, conclusion, and recommendations which are included in Chapter 5.

Background

It has become increasingly important to nonprofit organizational stakeholders to achieve the biggest impact possible using their existing resources. As a result, unfunded mandates have become a commonplace inclusion into the funding Agreements for governmental, foundation, and corporate stakeholders of many nonprofit organizations.

Examples of unfunded mandates can include, but are not limited to, charitable

registration requirements, mandated organizational infrastructure, additional reporting, or

other such tasks as assigned by external stakeholders. Specifically, improved

effectiveness, stronger leadership, and greater accountability among nonprofit

organizations have been several of the primary drivers behind such unfunded mandates,

above and beyond existing best practices in the field and relevant across different types of

stakeholders and nonprofits (Carnochan, Samples, Myers, & Austin, 2014; Doerfel,

Atouba, & Harris, 2017; Harrison & Murray, 2012; Hoefer & Silva, 2014; Hwang &

Powell, 2009; Lee & Clerkin, 2017; Owczarzak, Broaddus, & Pinkerton, 2016; Soteri-

Proctor, 2010; Stewart & Faulk, 2014; Thomson, 2011). However, the majority of the

research conducted previously has often been subspecialty specific to the type of

nonprofit organization, which made it hard to determine whether the unfunded mandates

that are assigned are similar for the entire nonprofit field, similar to just one kind of

external stakeholder category, or unique to each organization exclusively.

Research Problem

Small nonprofit organizations are assigned many administrative obligations for

completion by their external stakeholders which need to be accomplished while they are

also busy conducting their mission-related work. However, too little has formerly been

known about the organizational capacity impact of these unfunded obligations or

unfunded mandates when they are received from the nonprofit organization's external

stakeholders. These mandates are known as unfunded mandates because they are

additional tasks the organization is required to undertake without any offer or availability

of additional funding to cover the expenses related to completing such mandates.

Examples of some such unfunded mandates can include state charitable registration

requirements, new organizational infrastructure, additional organizational reporting, or

other similar tasks. Due to the lack of additional funding to address these unfunded

mandates, the nonprofit organizations can end up with a documented loss of important

organizational capacity capabilities such as staff time, funding which is then required to

be redirected toward new overhead costs such as new infrastructure or registrations, or

the ability to expand their mission-related activities, to name a few. Keeping this in mind,

this study explored the following:

- Whether nonprofit organization leaders are recognizing all such unfunded
  mandates when received; and, if so,
- How or if nonprofit leaders:
  - Track unfunded mandates and their potential capacity impact
    organizationally;
  - Assume a certain level of acceptable risk for noncompliance with the
    unfunded mandates received to conserve organizational capacity;
  - Accept negative organizational capacity effects to ensure compliance
    with unfunded stakeholder mandates; and/or,
  - See any positive organizational capacity effects related to compliance
    with unfunded mandates, already being of such a small organizational
    size.

During a review of the currently available literature regarding nonprofit organizational studies, where accountability requirements and funder mandates have been reviewed, it was apparent that these issues do currently impact nonprofit organizations and the organizations' capacity to complete mission-related goals (Carnochan, et al., 2014; Despard, 2017; Doerfel, et al., 2017; Lee & Clerkin, 2017; Owczarzak, et al., 2016; Thomson, 2011). However, within the current literature, most of the existing studies spoke only to one specific type or cause of impact related to unfunded mandates, not how that impacted the nonprofit organization's capacity. As a result, it appeared that there was a lack of detail available for the nonprofit industry related to managing unfunded mandates and organizational behaviors to ensure both continued compliance and capacity, while also conducting ongoing mission-related work.

Purpose Statement

The purpose of this qualitative phenomenological study was to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less in the Front Range Region of Colorado. There has been minimal research which has explored how unfunded mandates have been organizationally impacting the capacity of smaller nonprofit organizations and none that appeared to explore such phenomenon across nonprofit subspecialties. Previously conducted research in the field showed that there was no conclusive information available regarding whether nonprofits are operating out of compliance, whether mission-related work is being impacted - negatively or positively - with the focus on the professionalization and effectiveness requirements, or whether nonprofits

have decided to diversify funding differently because of certain stakeholders assigning additional, and typically unfunded, mandates.

Research Question

How is the organizational capacity of Front Range Colorado nonprofit organizations, with annual budgets of $500,000 or less, impacted by unfunded stakeholder mandates?

Theoretical Framework

A qualitative study using rational choice theory (Ostrom, 1990) was used to study the phenomenon and to assess how, or even whether, compliance with unfunded mandates affects the organizational capacity in terms of the nonprofits' effectiveness. The idea behind applying rational choice theory centered upon the premise that each executive director will make the most rational or beneficial choices, choices to best benefit and improve the capacity of their individual nonprofit organization (Adanali, 2017; Flynn, 2013; Forsyth & Johnson, 2014; Ostrom, 1991). The objectivity of the data for review using this approach was strong, since the in-depth, personal experiences were quite varied between each nonprofit's executive director (Ravitch & Carl, 2016; Rubin & Rubin, 2012). Using this method also offered me the opportunity to draw conclusions based upon information collected about executive director reactions to, and decisions surrounding, unfunded mandates at each nonprofit organization and not prior expectations or findings (Babbie, 2017; Ostrom, 1991; Ravitch & Carl, 2016). Once the patterns and categories were revealed during the analysis process, I applied the framework to analyze how or whether the executive directors' reactions and thought

processes to their different, but similar, unfunded mandates could potentially change or improve decision-making approaches in the future, as specifically related to unfunded mandates and the organizational capacity of nonprofit organizations.

Definitions

The following terms were used throughout this research:

Effectiveness: The effectiveness being measured by stakeholders was defined as the extent to which a nonprofit organization has balanced their inputs and outputs to successfully complete both the internal processes and external programmatic or organizational goals (Willems, Jegers, & Faulk, 2016).

Executive Director: The chief executive leader or highest-ranking staff position within a nonprofit organization, assigned with fiduciary responsibility, and tasked with overseeing the day-to-day activities of the nonprofit organization while reporting back to and working in conjunction with the Board of Directors (Ott & Dicke, 2016).

External Stakeholder: Someone external to the nonprofit organization who has a vested interest in the nonprofit organization's activities. Such parties may include, but are not limited to, governmental agencies, corporate funders, foundations, communities, other nonprofit organizations, creditors, and recipients of the nonprofit organization's work (Bryson, 2011).

Front Range Region: The geographic region east of the Front Range of the Rocky Mountains of Colorado that extend north to south from Fort Collins to Pueblo, along the Interstate 25 corridor (Rother & Veblen, 2017).

Nonprofit Organization: An organization defined by federal and state law as established for activities other than profit making and registered with the IRS as a 501(c)(3) (BoardSource, 2010; Ott & Dicke, 2016).

Organizational Capacity: A nonprofit organization's ability to perform core functions and complete the goals/objectives as stated in their Strategic Plan, using their existing human resources, skills, financial assets, functions, and other disposable resources (Despard, 2017; Doherty, Misener, & Cuskelly, 2014; Lee & Clerkin, 2017).

Unfunded Mandates: Items including, but not limited to, additional registration requirements, new or mandated organizational infrastructure, additional reporting, or any other such tasks assigned to a nonprofit organization's members, by an external stakeholder, without any additional funding offered or given to support the newly required activities (Bryson, 2011).

Assumptions

The qualitative study was conducted with the following assumptions:

- The participants answered the interview questions in an honest and open manner and to the best of their ability.
- The inclusion criteria of the sample were appropriate and assured that each of the participants had the same nonprofit organizational management level and have experienced the phenomenon that was researched within this study.
- There were no ulterior motives for any of the participants related to their participation in the study.

- The experiences of the nonprofit organization executive directors were similar enough, regardless of subspecialty type, to reach saturation.

Scope, Delimitations, & Limitations

Scope and Delimitations

The scope of the study conducted was to examine unfunded mandates and their impact on organizational capacity for small nonprofit organizations within the Front Range Region of Colorado. Geographically, the Front Range Region of Colorado is defined as the area contained along the Interstate 25 corridor, extending from Fort Collins, Colorado to the north down toward Pueblo, Colorado in the south. The delimitations, or boundaries for the variables which were included or excluded in the study, were the specification of the Colorado Front Range Region and the requirement that each participant's nonprofit organization have an operating budget of no more than $500,000 annually. The delimitation of an operating budget of no more than $500,000 annually was the approach applied to consider the nonprofit organization as *small*, as the nonprofit industry does not have a set standard by which to measure *small*. Additionally, the interviews were conducted only with executive directors of each selected nonprofit organization to ensure comparable experience levels with the phenomenon being studied.

Limitations

The study, as conducted, included qualitative semi structured interviews with executive directors of nonprofit organizations on-site at their business locations or at a third-party location if they selected such a site setting as necessary or desirable. For limitations, there was consideration given to the fact that the executive director(s), during

their interviews, may not have had appropriate access to some of the information that was requested or may not have been in their current position at such a time as the information relevant to the interview transpired. There was also consideration given related to the challenge of obtaining a high level of detail related to unfunded mandates or organizational capacity if the executive director did not review their organizational information prior to the commencement of the interview. Additionally, there was a possibility an executive director may have felt pressured to conceal details pertinent to the research being conducted had there been other organizational stakeholders present during the time of the interview. Furthermore, there was a possibility that the theoretical framework of Rational Choice Theory, could have been considered a limitation if intentional attention had not been applied to maintaining a focus on the decision-making process of each executive director and the impact(s) of their decisions on organizational capacity, versus the organizational outcomes, of those decisions. Lastly, there could have been a need for more than the 15 interviews conducted to reach saturation, due to the lack of delimitation toward nonprofit subspecialty.

Significance of the Study

Prior to the commencement of this study, the issues that were currently targeted most at nonprofit organizations for improvement or change through the stakeholder-assigned unfunded mandates are effectiveness, reporting, accuracy, and impact (Carnochan, et al., 2014; Doerfel, et al., 2017; Lee & Clerkin, 2017; Owczarzak, et al., 2016; Thomson, 2011). Therefore, I made the decision to focus specifically on nonprofit organizations within the $500,000 and under budgetary range, limited to a specific

geographical region for manageability, to better help determine if all types of nonprofit organizations in the study's geographical region were encountering similar phenomenon during their stakeholder interactions. Further, by choosing to interview each executive director within their own work environment, or a third-party environment where they felt comfortable, the design of the research encouraged more detailed, direct responses and generated stronger examples and information relevant to other nonprofit organizations (Ravitch & Carl, 2016). This level of detail was important as, if the interviews with the executive directors of the selected nonprofit organizations had not revealed similar information related to their receipt of unfunded mandates, the responses could have pointed toward needing a secondary study more specific to each different nonprofit organization's subspecialty field, without the limitations of budgetary size and/or geographical region, to the type of mandate, or something else entirely. Moreover, with the expertise and experience levels of those in the executive director level position of a nonprofit organization, those individuals were ascertained to be the best suited to identify the challenges, pitfalls, benefits, or other unique characteristics and experiences tied to receiving unfunded mandates from external stakeholders.

By studying this phenomenon, the research results revealed the benefits of carefully managing internal nonprofit organizational capacity, which then allows for compliance and accountability in their mission-related work, while stakeholders also receive the successful fulfilment of their assigned mandates. Another possibility is that nonprofit organizations may better be able to consider applying additional organizational processes and procedures in the future, which were previously unidentified to them,

knowing that the study identifies a mostly positive benefit as a result. In the same way, stakeholders may now be able to establish better approaches for obtaining their desired results, without continuing to add to the existing administrative burden of any previously assigned unfunded mandates. Furthermore, the resulting information should not be considered strictly limited to nonprofit organizations within the Front Range Region of Colorado. While it does have the highest initial impact and applicability in the Front Range Region of Colorado, the data should be considered transferrable for nonprofit organizations of a similar size throughout the United States. Finally, the potential for a future increase in effectiveness and/or organizational capacity within the nonprofit organizations can better benefit those at the local, state, or national levels who seek and/or receive the services from those nonprofit organizations as a *customer*. Such impacts, if applied and realized, should then be quantified as positive social change as the funders, other external and internal stakeholders, and the organization's customers would all be receiving improved output or impact from the nonprofit organizations. This positive social change, as defined above, should then be attributed primarily to the enhanced organizational capacity and improved best practices for all involved. Thus, this further ensures better use of funding received, better services provided to the nonprofit's customers, and societally a more efficient and effective impact by the nonprofit organization.

Summary

In summary, the purpose of this study was to learn about whether, and how, the organizational capacity of small nonprofit organizations is impacted by unfunded

mandates. The results can now be used to better inform all stakeholders in the nonprofit

industry about the impacts unfunded mandates create, reveal where restructuring to create

best practices within the nonprofit industry may negate the need for future unfunded

mandates, and suggest alternative approaches toward meeting mission-related goals and

stakeholder needs without negative impacts to organizational capacity. Accordingly, the

resulting data should also now be a driver to create positive social change inside the

nonprofit organizational industry, both within and external to the Front Range Region of

Colorado.

Chapter 2 provides a review of the literature related to nonprofit organizational

mandates, additional external stakeholder unfunded mandates, and nonprofit

organizational capacity. Chapter 2 further explores Ostrom's (1990) rational choice

theory and how that framework applies to the decisions made by nonprofit executive

directors when considering: unfunded stakeholder mandates, known or previously

existing organizational mandates, and organizational capacity.

Chapter 3 then includes the selected methodology of this study, the data collection

approach and techniques used, and the plan analysis methods which were used. Chapter 4

goes on to document the results of the study, conducted in the Fall and Winter of

2018/19. It then further reviews the details surrounding the selected participants, their

study contributions, and the results of the overall study. Finally, Chapter 5 then interprets

the study findings, reviews the limitations of the study, and makes recommendations

based upon the study findings. To conclude, there is an examination of implications to the

field and the positive social change related to the study findings, before a final

summarization.

Chapter 2: Literature Review

Introduction

Small nonprofit organizations are assigned many additional administrative obligations for completion by their external stakeholders, which need to be accomplished while they are also busy conducting their mission-related programmatic work. However, previously, too little has been studied regarding the organizational capacity impact of these unfunded obligations or *unfunded mandates* that are assigned by the nonprofit organization's external stakeholders. These mandates are better known in the nonprofit field as unfunded mandates because they are additional tasks the organization is required to undertake without any offer or availability of additional funding to cover the expenses related to completing them. Some examples of these unfunded mandates, which are also further explained later in this chapter, can include, but are not limited to, additional registration requirements, new organizational infrastructure, additional organizational reporting, or other similar tasks. Due to the lack of additional funding available to address these unfunded mandates, the nonprofit organizations can end up losing important capacity capabilities such as staff time, funding they are then required to redirect toward the new overhead costs such as new infrastructure or registrations, and even the ability to complete or expand their mission-related activities.

After a review of the currently available literature regarding nonprofit organizational studies, where accountability requirements along with funder mandates were studied, it was apparent that these issues do currently impact nonprofit organizations and the organizations' capacity to complete mission-related goals

(Carnochan, et al., 2014; Doerfel, et al., 2017; Lee & Clerkin, 2017; Owczarzak, et al., 2016; Thomson, 2011). However, within the exiting current literature, most of the existing studies spoke only to one specific aspect of unfunded mandates and only some spoke to that aspect's actual impact upon organizational capacity. As a result, it appeared that there was a lack of detail available for the nonprofit industry related to the impact of unfunded mandates, and the effect of those on organizational behavior, to ensure both compliance and capacity for the ongoing mission-related work.

The purpose of this qualitative study was to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less in the Front Range Region of Colorado. To-date, there was very minimal prior research which explored how unfunded mandates have organizationally impacted the capacity of smaller nonprofit organizations and none that explored such phenomenon across nonprofit subspecialties. Previous research showed that there was no conclusive information regarding whether nonprofit organizations have been operating out of compliance, whether mission-related work has been impacted - negatively or positively - with the focus on the professionalization and accountability requirements, or whether nonprofits have decided to diversify or consolidate funding or activities differently because of certain stakeholders assigning additional, and typically unfunded, mandates.

The major sections included here to provide further, detailed, background related to this study start with a summary of the strategy used for the review of current and existing knowledge in the field. Included next is a review of the theoretical foundation

which was applied to the research that was conducted. This is followed by a detailed

background of nonprofit organizational capacity, nonprofit organizational mandates, and

then focuses on prior literature related to unfunded nonprofit organizational mandates.

This is then summarized succinctly to illustrate the gap in knowledge before moving into

the research plan employed and detailed in Chapter 3.

Literature Search Strategy

The approach I used for the literature search was a thorough manual approach

over an extended period of time to ensure maximum result returns from multiple

locations. Using multiple combinations of the search terms "nonprofit* OR NGOs OR

NPOs OR not-for-profit OR nongovernmental", as well as "third sector", "charity",

"unfunded mandates OR requirements OR regulation", "effectiveness", "capacity",

"registration", and "rational choice theory" was the primary approach used. Those search

terms were used in the Political Science Complete and Business Source Complete

databases, both independently and as then later under the combined search option in the

Walden University Library databases, as well as ProQuest, EBSCO, and SAGE. The next

step was to search by available abstracts, as well as within full literature text, for relevant

sources that were both peer reviewed and considered current between the years of 2013-

2018. This was next followed by various combinations of these same search terms and

parameters using first Thoreau to search and then also Google Scholar. The final step in

the literature search process was to conduct citation chaining. This was completed after a

review of related doctoral work, as well as through a review of the references in the

relevant articles selected for inclusion through the database searches. The citation

chaining was also used as a tool to track saturation of literature, as once there was high repetition of literature, it confirmed a necessary level of saturation for relevant research.

Alone, after the exhaustive manual searches of the literature, there was not a large amount of directly related peer-reviewed literature resources which were considered current and suitable to include in the literature review. However, after expanding the search parameters for additional time periods close to, but slightly outside of the standard 5-year period, there was then additional and important relevant literature located for inclusion. The inclusion of those additional resources then provided the ability to appropriately explain the current state of knowledge in the field, as well as prove an existing gap of knowledge around the topic of this study.

Theoretical Foundation

Rational choice theory, as developed and applied by Ostrom (1990; 1991), states that an individual will evaluate what choices or options are available to them and then make the choice intended to give that individual the most desirable outcome in that situation based upon their preferences or needs. In other words, rational choice theory is the process of making the best choice at the time to achieve one's desired outcome in each situation (Ostrom, 1991). Ostrom (1991) assumed that individuals are attempting to make rational choices and works toward analyzing and understanding what goals or perceived limitations may factor into those decisions. For this purpose, the word *rational* can be defined as being "based on facts or reason and not on emotions or feelings" or "having the ability to reason or think about things clearly" (Merriam Webster, n.d.).

Applying this theory toward the institutional decisions made by individuals, Ostrom (1990) inferred that details of the institutional situation are also important in this decision-making process and possible economic consequences will likewise factor into any decisions being made. Thus, rational choice theory can be applied as a means of understanding cooperative behavior within an organization, even as the choices being made may be conducted on an individual level or by one lead person within the organization itself (Forsyth & Johnson, 2014). For example, rational choice theory has been previously used to review personal impact versus community impact when an individual makes the decision to participate in community economic development (Lamb, 2011). If one were to interpret the community impact as organizational instead, one can see that rational choice theory can and has been applied more broadly than just to the individual and their own economic benefits as a result of independent decisions.

A review of current literature did not reveal rational choice theory being applied previously to mandates or unfunded mandates and nonprofit organizations, nor toward mandates or unfunded mandates and nonprofit organizational capacity. However, rational choice theory was applied in a study by Carman (2011) in a review of how nonprofit organizations' managers conduct evaluations and whether those evaluation results were used as an organizational check for improvement needs, compliance, or good decision-making. Unfortunately, rational choice theory was not the most applicable theoretical framework for the study conducted by Carman, as the focus on organizational behavior was more prevalent than any focus on individual decision making. Had Carman focused more upon the individual and their actions of decision-making, use of available resources,

and conducting of evaluation activities and the review or application of those results,

rational choice theory would then have been a stronger framework for the study (Lara,

2015).

Alternatively, Cummings (2012) noted that nonprofit directors have a fiduciary

responsibility to employ a duty of care, duty of loyalty, and duty of good faith in their

daily role as executive director, enforcing the idea that an organizational interest must

come before the director's own if those interests are not aligned. Therefore, there was a

basis for the application of a rational choice theoretical framework when reviewing how

executive directors make their individual determinations, based upon subjective

motivations, to finalize or implement decisions that impact organizational capacity.

Specifically, I used rational choice theory to review how an executive director perceives

the impact of or responsibilities assigned by unfunded mandates when determining

completion of or compliance with those unfunded mandates, especially when the

executive directors do not personally see the benefit to or have any interest in those

mandates as assigned.

Consequently, I applied rational choice theory to compare how the choices of

executive directors to comply with unfunded mandates affects the organizational

capacity, whether negatively, positively, or if at all. The idea behind applying rational

choice theory centered upon the premise that each executive director makes rational or

advantageous choices to best benefit the capacity and effectiveness of their nonprofit

organization – whether that means compliance with the mandates or not (Adanali, 2017;

Flynn, 2013; Forsyth & Johnson, 2014; Ostrom, 1991). The objectivity of the data

collected using this approach was strong, since the in-depth, personal experiences varied greatly between each nonprofit's executive director, yet all such data centered around the study area of unfunded mandates and organizational capacity impact using the rational choice theoretical framework (Ostrom, 1991; Ravitch & Carl, 2016; Rubin & Rubin, 2012). Using this method also offered me the opportunity to draw conclusions based upon information collected about executive director current reactions to and decisions surrounding unfunded mandates at the nonprofit organizations, not prior expectations or findings from older studies or press interviews (Babbie, 2017; Ostrom, 1991; Ravitch & Carl, 2016). Then, once the patterns or categories became apparent during the analysis process, I applied the rational choice theoretical framework to review how different reactions to or interpretations of unfunded mandates may be analyzed to possibly change or improve decision-making approaches affecting organizational capacity for nonprofit organizations.

Nonprofit Organizational Mandates

The history of nonprofit organizational mandates originates in regulatory legislation enacted to provide legitimacy and best practices to an industry that still, to this day, serves as a protector of public interests and a provider of services not already offered by the government or corporations to those in need (Abramson, 2016; Bryce, 2017; Langer & LeRoux, 2017; Maurer, 2016). Specifically, the Unfunded Mandates Reform Act of 1995, otherwise known as Public Law 104-4, defined the federal regulations and laws that nonprofit organizations and others must comply with as federal mandates (State News Service, 2013). One of the most basic examples of such a federal mandate for

nonprofit organizations is related to the required organizational registrations for activity

as a nonprofit corporation versus a for-profit corporation (Internal Revenue Service

[IRS], 2017). In this instance, there are certain benefits offered to organizations who seek

such a legal classification, such as tax exemptions for the organization upon receipt of the

nonprofit business classification. However, that benefit does not negate the legal

requirement of completing such a federal mandate prior to conducting business, it is

simply offered to provide leverage to the organizations being created for charitable,

scientific, literary, religious, or other social welfare purposes (IRS, 2017). In fact, Chiu

(2011) found that there were approximately fourteen percent less nonprofit organizations,

or roughly 275,000 businesses, who could no longer call themselves nonprofits after an

IRS movement in 2006 to address the lack of compliance with just the basic IRS

regulatory mandates assigned to nonprofit organizations.

Previous research of other such federal mandates that are standard for nonprofit

organizations can and does include the regulatory or legal assignment of audits, reporting

of activities and/or financials, certifications, financial and internal controls, registrations,

and more (Amirkhanyan, Meier, & O'Toole, 2017; Calabrese, 2011; Cordery, Sim, & van

Zigl, 2017). These types of federal mandates are generally broadly, if not intimately,

known to those individuals looking to create and/or operate a nonprofit organization. The

federal mandates are in place to provide a level of quality assurance to internal and

external stakeholders, while setting a regulated standard of best practices for such

nonprofit organizational activity (Amirkhanyan et al., 2017; Cordery et al., 2015).

However, studies have shown that the accountability requirements of such federal

mandates have continued to grow over time, working to further increase the perceived

professionalization and effectiveness of the nonprofit sector beyond the existing best

practices as accepted within the field (Bryson, 2010; Bryson, 2011; Cordery et al., 2015;

Cousins, Goh, Elliott, Aubry, & Gilbert, 2014). Yet there is no prior research that offers a

direct link between public or social opinion and the increases in federal mandates, just an

apparent assumption by legislators of the need for further regulation to increase

trustworthiness among nonprofit organizations (Breznau, 2013; Cordery, et al., 2015).

Current research does show that this growth in mandates creates a perceived

conflicting dynamic for those in nonprofit organizations, as they work to comply with the

federal mandates necessary to conduct business, while autonomously performing other

activities to meet the expectations and needs of their remaining external stakeholders, all

without negatively impacting organizational capacity (Milbourne & Cushman, 2013;

Suárez & Esparza, 2017). For example, other external stakeholders may have assigned

mandates of their own within a funding instrument, legal agreement, donation restriction,

or partnership arrangement for mission-related activities being conducted (Milbourne &

Cushman, 2013; Suárez & Esparza, 2017). Some examples of known or funded mandates

which may be included in situations such as those listed above can include internal

auditing of a program or activity, programmatic reporting of activities and/or financials to

a funders' organization, agency, and/or Board of Directors, certifications for management

team members involved in specific activities or processes at the nonprofit, infrastructure

obligations, financial and/or other internal controls, and more (Amirkhanyan et al., 2017;

Calabrese, 2011; Cordery et al., 2017). Thus, such conflict between the known federal

mandates and the other existing nonfederal mandates assigned by external stakeholders is then only compounded by unfunded mandates, as explained next, when they are later created and bestowed for additional compliance without any consideration of the impact upon organizational resources (Milbourne & Cushman, 2013; Owczarzak et al., 2016; Suárez & Esparza, 2017).

Unfunded Nonprofit Organizational Mandates

Because of the perceived success of the federal mandates imposed upon nonprofit organizations, corporations, foundations, and other external stakeholders have now begun adding in their own additional mandates for the nonprofit organizations with which they are conducting business, above and beyond the known mandates previously disclosed, to ensure effectiveness and impact (Akinlade & Shalack, 2016; Cousins et al., 2014; Dumont, 2013; Gugerty, 2009; Hwang & Powell, 2009; Maier, Meyer, & Steinbereithner, 2016; Owczarzak, et al., 2016; Stewart & Faulk, 2014; Suárez, 2011; Suárez & Esparza, 2017; Tucker, Thorne, & Gurd, 2013). While many of the additional nongovernmental mandates are related to professionalization, accountability, and formalization of the nonprofit organization infrastructure and processes above and beyond currently accepted industry best practices (Akinlade & Shalack, 2016; Cousins et al., 2014; Dumont, 2013; Gugerty, 2009; Hwang & Powell, 2009; Maier, Meyer, & Steinbereithner, 2016; Owczarzak, et al., 2016; Stewart & Faulk, 2014; Suárez, 2011; Suárez & Esparza, 2017; Tucker et al, 2013), they are typically unfunded mandates whose assigners provide no additional funding for their completion. Specifically, the Unfunded Mandates Reform Act of 1995, or Public Law 104-4, defined an unfunded mandate as an enforceable duty that

would reduce the currently available funding for completing the already defined and

assigned mandates under the organization's current direct cost budget(s) due to a lack of

accompanying revenue for such completion (Gullo, 2004; Dilger, 2018; Ross, 2018; State

News Service, 2013).

It has been shown that such unfunded mandates can then impact the capacity of

the nonprofit organization needing to comply, as the mandates can be resource-intensive

to implement or sustain (Abramson, 2016; Cordery et al., 2015). Additionally, the

relationships with those assigning the mandates are not typically as developed as they

need to be for those assigning them to fully comprehend the impact they are having when

issuing such mandates (Boris, Steuerle, & Wartell, 2016). Thus, even as compliance with

these mandates can be rationalized as a necessary and smart decision by organizational

leaders for sustainability and credibility, the impact upon organizational capacity as a

result is generally more significant than anticipated (Hwang & Powell, 2009). Speaking

to this detail is the fact that United States Senators Lankford and Fischer have

reintroduced a bill, The Unfunded Mandates Information and Transparency Act, to bring

further transparency to unfunded mandate costs reform (State News Service, 2017). This

was introduced after the Government Accountability Office (GAO) found 14 existing

loopholes in the current Unfunded Mandates Reform Act of 1995, allowing for the

continued assignment of unfunded mandates without accountability or an illustrated

consideration of the impact of such mandates (State News Service, 2017). One example

of such a loophole is the fact that Public Law 104-4 allows for the assignment of

unfunded federal mandates if the projected financial impact of the proposed legislation is

under 50 million dollars, bypassing the intended accountability in government that Public

Law 104-4 was enacted to address (Berger, 2005; Eastman 2002). Other such loopholes

include, but are not limited to, new mandates related to national security legislation, new

requirements under federal grant programs, new constitutional rights legislation, and new

legislation related to Social Security (Berger, 2005; Eastman, 2002). Additionally, there

is an exemption of independent regulatory agencies from compliance with Public Law

104-4, thus allowing these agencies the ability to continue assigning additional unfunded

mandates to nonprofit organizations without consideration or oversight (Coglianese,

2018).

Regulatory Mandates

An expansion upon and specific example of a nonprofit organizational regulatory

mandate, as well as an example of a currently applicable unfunded mandate for nonprofit

organizations not yet thoroughly researched for impact, is the requirement for state

registrations and the associated annual financial reporting for each nonprofit organization

wishing to solicit for and collect contributions from individuals in each state (Gilmer,

2016; Irvin 2005; Jacobs & Hackett, 1998; Peterson, 2009; Sharpstone, 2018). This

requirement was created when the IRS assigned the responsibility of charitable

organization and fundraiser oversight to each state and later with the creation of the

Charleston Principles in 1999, as created and approved by the National Association of

State Charity Officials and National Association of Attorneys General at a meeting in

Charleston, South Carolina (Gilmer, 2016; Sharpstone, 2018). Unfortunately, current

research of the regulations on each state's website illustrates that this requirement for

each state can be widely varied in terms of what the registration process costs and what

the requirements include or when and why they apply (Jacobs & Hackett, 1998;

Sharpstone, 2018). For example, the State of Nevada did not enact any regulatory

requirements in this area until 2014 (Sieroty, 2014). Additionally, the states have been

permitted to create sanctions and fines as a way of holding nonprofit organizations

accountable for failing to register, failing to complete annual financial or activity

reporting, and/or for failing to disclose fundraising activity within their state (Jacobs &

Hackett, 1998; Sharpstone, 2018). This can be expense for the nonprofit organizations

and is important to consider, as there are thirteen states currently within the United States

that require such a registration of any and all nonprofit organizations simply for having a

"Donate Now" or "Donate Here" or "Donate" button of any kind on their organization's

website or social media pages (Gilmer, 2016; Sharpstone, 2018).

Other unfunded federal regulatory mandates with broad impact for both private

and public-sector organizations currently include, but are not limited to, The Minimum

Wage Increase Act, The Agricultural Research, Extension, and Education Reform Act of

1998, The Bayh-Dole Act, The Department of Veteran's Administration and Housing and

Urban Development Act, The No Child Left Behind Act, the Help American Vote Act,

and the Affordable Care Act (American City & County, 2005; Hopkins, 2014; Kelly,

2003). There are also unfunded regulatory mandates that can apply at the city, county,

and state levels, whose impact is no less significant (Ross, 2018). Additionally, there are

unfunded regulatory mandates on an international level to consider, where other countries

have enacted regulatory requirements that also apply to nonprofit organizations

headquartered in the United States but operating overseas (van der Hiejden & ten

Heuvelhof, 2013; United States China Business Council & Dezan Shira & Associates,

2016).

Collaboration Mandate

Existing research in the field shows that collaboration to conserve capacity and

use shared expertise is one heavy focus of such additional unfunded mandates, as there is

a perception that different organizations can learn useful lessons from one another

(Tucker, et al., 2013). One study even posited that nonprofit organizational collaboration

can help leverage existing external resources to possibly reduce internal organizational

capacity concerns (Sabin & Levin, 2016). Another study considered that collaboration

could contribute to better professionalization and competition within the nonprofit sector

– although included in the study was a warning that there could be possible mission-drift

or other service-related organizational impacts if not well-balanced (Maier, et al., 2016).

Yet another study had similar determinations, citing that nonprofit organizational

managers perceived a positive connection between collaboration and performance

improvement, while highlighting concerns related to resource use, availability, and

impact (Mitchell, O'Leary, & Gerard, 2015).

Ultimately, much of the existing research shows that collaborative activity can be

beneficial but that it also comes at further cost to the nonprofit organization, as building

those very collaborations takes additional time and resources away from programmatic or

mission-related goals (Maier, et al., 2016; Sabin & Levin, 2016; Suárez, 2011, Tucker, et

al., 2013). Specifically, the study by Mitchell, et al.. (2015) found that mandated

collaboration for nonprofits, even on a transnational level, was not typically viewed in a negative manner by the nonprofit organizational managers although such a mandate showed to have suboptimal results, required additional infrastructure, and resulted in a loss of resources. While another study explores the possibility that reduced service delivery to external stakeholders, as a result of diverting internal organizational capacity to the compliance of new unfunded mandates, could lead to an exodus of nonprofit organizations from the market entirely (Prakash & Gugerty, 2010). This is supported by the findings of Mitchell, et al., (2015), where nonprofit organizational leaders disclosed their concerns related to organizational risk and how mandated compliance could emphasize or increase possible organizational loss.

Effectiveness Mandate

A substantial amount of the other prior related research has shown that organizationally demonstrable effectiveness to external stakeholders has become increasingly critical for nonprofit leaders, as available resources have continued to become more constrained and harder to obtain (Carnochan, et al., 2014; Langer & LeRoux, 2017; Maurer, 2016; Owczarzak, et al., 2016; Willems, et al., 2016). However, effectiveness is not standardly a formalized mandate for nonprofit organizational staff when they receive funding or other support. Effectiveness is another form of unfunded mandate – required unofficially to illustrate the ability to properly plan, manage resources into and out of the organization, and effect an impact related to the organization's programmatic and mission-related goals (Mohd Noor, Hajar, & Idris, 2015; Willems, Boenigk, & Jegers, 2014). Earlier researchers in the field have shown that nonprofit

organizational effectiveness has been primarily reported by measurement impacts, accountability reporting, and planned infrastructure to support organizational activities (Liket & Maas, 2015; Owczarzak, et al., 2016; Willems, et al., 2016).

Specifically, prior research has addressed the additional formalization and inclusion of performance measurement systems by nonprofit organizations to help successfully address the effectiveness mandate (Amagoh, 2015; Dumont, 2013; Eckerd, 2015; Carnochan, et al., 2014; Greiling & Stötzer, 2016; Hyndman & McConville 2016; Liket & Mass, 2015; MacIndoe & Barman, 2013; Owczarzak, et al., 2016). Currently, research shows that performance measurement systems provide detailed reporting and are evaluated as a verifiable measure of accountability for external stakeholders, where accountability in is then assumed as effectiveness (Amagoh, 2015; Carnochan, et al., 2014; Dumont, 2013; Eckerd, 2015; Greiling & Stötzer, 2016; Hyndman & McConville 2016; Liket & Mass, 2015; MacIndoe & Barman, 2013; Owczarzak, et al., 2016; Prakash & Gugerty, 2010; Thomson, 2011).

Additionally, several previous studies revealed that such performance measurement systems were primarily focused on financial data, as it was the most transparent and available measurement tool available for such purposes (Amagoh, 2015; Eckerd, 2015; Hyndman & McConville 2016; Liket & Mass, 2015). However, as the nonprofit field has continued to grow, research has shown that supplementary infrastructure for performance measurement is now also being mandated by external stakeholders to further prove claims of organizational effectiveness – infrastructure which

is to be developed and reviewed during organizational strategic planning sessions and Board-level reviews of activity (MacIndoe & Barman, 2013).

As a result, outcomes performance measurement has been reviewed on both a programmatic level and an organizational level as it relates the evaluation of nonprofit organizational effectiveness (Benjamin, 2013; Bromley, Hwang, & Powell, 2012; Bryson, 2011; Carman, 2013; Langer & LeRoux, 2017; MacIndoe & Barman, 2013; Owczarzak, et al., 2016; Thomson, 2010). Research in the field shows an increased expectation for nonprofit organizational strategic planning and a regular review of, and evaluation against, such strategic planning goals by those in a management position within the organization (Bromley et al., 2012; Bryson, 2011; Langer & LeRoux, 2017; MacIndoe & Barman, 2013). Research indicates that this promotes indications of flexibility, transparency, thoughtful decision making, and an innovative culture within the organization – which translate into effectiveness with external stakeholders (Bromley, et al., 2012; Bryson, 2011; Langer & LeRoux, 2017; MacIndoe & Barman, 2013).

This trend has also been shown recently to be expanding into the public sector of higher-level education, where nonprofit higher-level academic organizations have already been operating with such assigned unfunded mandates (Breznitz & Kenney, 2018). Breznitz & Kenney (2018) found that there is now a larger trend in the field of higher-level academic organizations of capacity loss due to additional staff and infrastructure requirements related to additional reporting and auditing requirements to illustrate effectiveness and impact. Unfortunately, since the focus of their study is public universities, so there is no in-depth review of the direct impact of these unfunded

mandates on organizational capacity of nonprofit universities and colleges previously (Breznitz & Kenney, 2018).

Nonprofit Organizational Capacity

As the preceding sections illustrated, one variable not often directly evaluated in the existing prior literature was the impact the unfunded mandates have had upon nonprofit organizational capacity when assigned by external stakeholders. There has been research to determine what mandates accomplish, both for internal and external nonprofit stakeholders, but no there was no clear differentiation between styles of mandate and/or their impact upon nonprofit organizational capacity when they were studied. Therefore, to properly illustrate the gap in the field of knowledge, it was also necessary to define the current understanding of organizational capacity for the nonprofit sector in existing current literature.

Current research defines organizational capacity as a nonprofit organization's ability to perform core functions and complete the goals/objectives stated in their Strategic Plan, using their existing human resources, skills, financial assets, functions, and other disposable resources (Despard, 2017; Doherty, et al., 2014; Lee & Clerkin, 2017). Capacity measurement of these organizational mandates are thus typically defined by researchers as a review of infrastructure and operations, resources, communication, and relationships (Doherty, et al., 2014; Lee & Clerkin, 2017). However, for nonprofit organizations specifically, prior research shows that being accountable to multiple kinds mandates from multiple external stakeholders can heavily impact that same organizational capacity (Amirkhanyan, Meier, & O'Toole, 2017; Despard, 2017; Meyers,

2016; Prentice & Brudney, 2018). As a result, that impacted capacity can then undermine organizational ability to achieve mission-related organizational impact and public good – a requirement for all nonprofit organizations upon registration with the IRS (Amirkhanyan, Meier, & O'Toole, 2017; Despard, 2017; IRS, 2017; Meyers, 2016; Prentice & Brudney, 2018). Additionally, current literature suggested there are different impacts on organizational capacity for nonprofit organizations from such scenarios, based upon fiscal size, age of the organization, and existing infrastructure (Bryan & Brown, 2015). That information can then be compared to the findings of other existing research, which highlight how low overhead funding from external stakeholders creates resulting organizational capacity constraints which then need to be addressed (Lecy & Searing, 2015; Walton, 2018). Specifically, if there is a low overhead rate requirement by external stakeholders, the organizations are creating a financial resource shortage, impacting overall organizational capacity, if they need a higher indirect cost recovery rate for the program being funded (Lecy & Searing, 2015; Walton, 2018).

Concurrently, there was also some limited research that had been conducted which related to addressing and improving organizational capacity concerns for nonprofit organizations (Minzer, Klerman, Markovitz, & Fink, 2014; Ryser & Halseth, 2014). In these bodies of research, circumstances were reviewed in which nonprofit organizations took part in official capacity-building programs, voluntary in nature, to enhance their innovation and sustainability (Minzer, et al., 2014; Ryser & Halseth, 2014). However, while the research showed that the nonprofit organizations who completed such capacity-building work had leadership which recognized the need for evaluation and potential

change (Ryser & Halseth, 2014), the organizational capacity gaps and impacts created by unfunded mandates were not directly reviewed or addressed (Minzer, et al., 2014). Nor did the existing research go into depth regarding the causes of the organizational capacity concerns, instead merely acknowledging they existed (Minzer, Klerman, Markovitz, & Fink, 2014; Ryser & Halseth, 2014).

Therefore, while there has been an industry acknowledgement of nonprofit organizational capacity constraint concerns, there was no prior relevant research related to studying the impact on nonprofit organizational capacity when it is changed by unfunded external stakeholder mandates. Neither was there any prior literature available for review which deliberated about how to improve nonprofit organizational capacity when it is impacted by newly or previously unacknowledged unfunded mandates assigned by external stakeholders.

Summary

To summarize, after a thorough manual examination and review of existing research, it was determined that there was a demonstrable gap in the field of knowledge related to how nonprofit organizational capacity is impacted by unfunded mandates when assigned by external stakeholders. Therefore, the determination was made that it would be beneficial to use Elinor Ostrom's (1990) rational choice theoretical framework to review the decision-making process of nonprofit executive directors in order to determine how unfunded mandates are identified, interpreted, implemented, and whether those mandates impact the nonprofit organization's overall capacity. Further details of the research methodology and study parameters are documented in Chapter 3, with results

presented in Chapter 4, and discussion related to those results' interpretations, limitations,

and further recommendations located within Chapter 5.

Chapter 3: Research Plan

Introduction: Purpose of the Research

The purpose of this qualitative study was to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less, in the Front Range Region of Colorado. Prior to this study, there was minimal prior research exploring how unfunded mandates have organizationally impacted the capacity of smaller nonprofit organizations and none that appeared to explore such phenomenon across nonprofit subspecialties. Previous research has shown that there was no conclusive information regarding whether nonprofits have been operating out of compliance, whether mission-related work was impacted - negatively or positively - with the focus on the professionalization and accountability requirements, or whether nonprofit organizations have decided to diversify funding differently because of certain stakeholders who have or could have assigned additional, and typically unfunded, mandates.

Research Question

How is the organizational capacity of Front Range Colorado nonprofit organizations, with annual budgets of $500,000 or less, impacted by unfunded stakeholder mandates?

Research Design and Rationale

A qualitative phenomenological study which used rational choice theory (Ostrom, 1990) was determined to be the most effective approach for studying this phenomenon. I used this approach to study the lived experiences of the nonprofit organizations'

executive directors to determine if compliance with unfunded mandates affected the organizational capacity in terms of the nonprofit organizations' overall organizational effectiveness. The idea behind applying rational choice theory centered upon the premise that each executive director has made rational or beneficial choices at the time to best benefit and improve the capacity of their nonprofit organization (Adanali, 2017; Flynn, 2013; Forsyth & Johnson, 2014; Ostrom, 1991). The objectivity of the data for review using this approach was strong, since the in-depth, personal experiences varied between each nonprofit's executive director (Ravitch & Carl, 2016; Rubin & Rubin, 2012). Using this method offered me the opportunity to draw conclusions based upon information collected about specific executive director reactions to and decisions surrounding the unique unfunded mandates at each of their nonprofit organizations, not prior expectations or findings (Babbie, 2017; Ostrom, 1991; Ravitch & Carl, 2016). Moreover, this framework allowed me to consider, through the analysis of the results, whether alternative approaches could improve the operational capacity for nonprofit organizations and possibly the benefits and outcomes for the external stakeholders.

By applying institutional ethnography, I employed the exploratory qualitative approach of interviewing to collect data and before the data was then analyzed for any patterns and categories related to the phenomenon (Babbie, 2017). This nonexperimental approach was selected to help construct a clear understanding of the phenomenon being studied through the detailed descriptions in-person interviews offered (see Patton, 2015). This was especially appropriate, as there was so little previous literature regarding the phenomenon of interest and exploratory studies are, by nature, investigative in nature (see

Babbie, 2017). Semi structured interviews were an ideal data collection method, which used a maximum variation (heterogeneity) purposeful sampling strategy (Patton, 2015), to gain insight into the lived experiences of each executive director who was selected to participate in the study. The list of nonprofits for this purpose was obtained from the Colorado Nonprofit Association (CNA) and GuideStar. Both CNA and GuideStar track the relevant variables of organizational location and annual financial income, as those elements were the categories applied for determining inclusion in the study participant class. Additionally, this approach supported transferability because it used a representative sample of executive directors from a variety of nonprofit subspecialties throughout the Colorado Front Range Region. This iterative approach and the generalizable data it produced offers the necessary validity peer-reviewers should expect from such work while expanding the field of knowledge.

Role of the Researcher

Unaccompanied, for confidentiality purposes, I was the instrument for the implementation of the interview questions. There were no personal or professional relationships with any members of the selected participant group. Although I have worked professionally within and volunteered previously at some organizations in the nonprofit industry within the selection region, I did not previously conduct business with or have prior personal relationships with any the executive directors or their respective nonprofit organizations selected for participation in the study. Any known associates or organizations were automatically removed from the potential participant pool. As a result, there were no biases during the participant selection process.

Participant Selection

The most useful source of information related to the research topic and question was determined to be the executive director of a nonprofit organization. The executive directors have access to the day-to-day information necessary, as well as the executive-level viewpoint of how unfunded mandates from external stakeholders impact their operational capacity. There are thousands of nonprofit organizations in Colorado, with many situated in the Front Range Region. The list of nonprofits approached for the study was obtained from the Colorado Nonprofit Association (CNA) and GuideStar. Both CNA and GuideStar track the relevant variables of organizational location and annual financial income, which were what was used to determine inclusion in the study participant class. Upon institutional review board (IRB) review and approval, I conducted an interest survey using Survey Monkey with the executive directors of over 120 of the nonprofit organizations who met the geographical and budgetary constraints. Once those results were received, 15 executive directors were contacted through e-mail using purposeful sampling to set up face-to-face interviews, three interviews at a time, at each nonprofit organization's offices or a third-party location as requested by and convenient for each executive director. There were three executive directors who responded positively to the interest survey selected from Fort Collins, Longmont, Denver, Aurora, and Colorado Springs respectively. For each of those three participants in each area, each executive director came from a different subspecialty field in the nonprofit industry – e.g., social services, food/nutrition, educational, medical/health, etc. There was no duplication of subspecialty type within any one geographical area, as intended, or throughout the entire

study. Each of the 15 nonprofit organizations' focus was in a different field of the

nonprofit industry.

Once three participants in each of the five geographical areas was confirmed, in-

person interviews were conducted and recorded on digital audio recordings. The

recordings of the interviews were then transcribed, and manually coded until a saturation

point was reached, after which the data was then further analyzed using NVivo (Ravitch

& Carl, 2016). Each executive director was interviewed within their own work

environment or a third-party location of their selection, at their convenience, and each

received a copy of the interview questions in advance to help foster a semi-structured

approach. I used this method to elicit comfort on the part of the participant, as well as to

encourage more detailed responses to help foster the disclosure of information more

likely to be relevant to other nonprofit organizations and the study (Patton, 2015; Ravitch

& Carl, 2016). Additionally, there was evidence in the literature reviewed and

documented in Chapter 2, of other research studies conducted where the researchers

successfully used similar methodological approaches for data collection with the

personnel at nonprofit organizations (Carnochan, et al., 2014; Harrison & Murray, 2012;

Owczarzak, et al., 2016; Soteri-Proctor, 2010). These findings then helped support the

approach I used for this study.

Instrumentation

The invitation, informed consent, and interview guide were developed based upon

the protocols appropriate for qualitative research and required for Walden University IRB

review and approval. Specifically, for the development of the interview questions, the

concepts that most stood out after conducting the literature review of the research

phenomenon, were those of mandates all being slightly different for nonprofit

subspecialties, but all seeming to affect organizational capacity and aiming to impact the

same general areas from an organizational management standpoint. The issues that

seemed to be targeted most for improvement or additional outcomes because of the

mandates were concluded to be effectiveness, reporting, accuracy, and impact.

Keeping those concepts into mind, I considered whether or how those general

areas are impacted internally at the nonprofit organizations as a result of receiving

unfunded mandates. I knew that there would be some form of effectiveness tracking,

reporting, accuracy documentation, and impact affirmation already in place at the

nonprofit – but the gap in the knowledge of the field was whether the unfunded mandates

looking to improve those areas hurt the nonprofit organizations and their organizational

capacity instead of helping them.

Therefore, working backwards from the existing research which pointed toward

mandates being issued to achieve better effectiveness, reporting, accuracy, and/or impact,

the interview questions were developed to attempt to address the gap in the field of

knowledge. I used this approach to avoid making any assumptions and to look at the

capacity impact(s) within the nonprofit organizations due to the unfunded mandates – not

to look at the purpose or outcomes of the mandates themselves, as other studies seem to

have done.

To ensure rigor and credibility, the research instrument and related forms

underwent Walden University IRB review and approval prior to the commencement of

any research. This also helped to ensure study alignment and further support objectivity. While, narrowing the scope of the type of mandate a nonprofit may be receiving was also considered, it was ultimately discarded to allow the ability to better capture the similarities and differences between different types of nonprofit organizations and their unique mandates.

Additionally, recording the interview digitally for data collection, while taking notes to use as part of a journaling or memo process, helped to ensure rigor and credibility (see Patton, 2015; Ravitch & Carl, 2016). The digital recording of the interview allowed me to go back and determine not only exact terminology used by the participant, but for the notation of inflection, pauses, emphases, and other important details. The journaling or memo process then helped to support the coding and data analysis processes by providing extra information regarding nonverbal participant details, environmental details, or other impressions gathered acquired during the process which were useful later during coding and analysis (see Patton, 2015; Ravitch & Carl, 2016).

Procedures for Data Collection

The interviews were conducted with the executive directors of the selected nonprofit organizations after completing the purposeful sampling strategy process described in the participant selection section above. That process was conducted by extending a written invitation to an initial 15 executive directors selected from the affirmative responders of the interest survey. Upon receipt of agreement to participate in the interview process, there was a time and location selected, and ultimately set, for the interviews by asking the participants to list several times and days and locations that were

agreeable to them, so as to be as convenient to their schedules as possible. At that time

the interview questions were provided for the advance consideration by the participant

prior to the interview taking place. For location, each interview was held either in the

participant's office or a third-party location, if they selected such an option, and restricted

to a timeframe of thirty minutes or less. Each participant was also offered the option of

written transcripts of their interview and a debriefing of the coding and analysis

processes.

While the IRB review and approval of the research instruments, as well as the

informed consent process, and anonymity offered to the participants were all put into

place to protect the participants, there were also other possibilities where ethical concerns

needed to be considered. As pointed out in O'Sullivan, Rassel, Berner, & Taliaferro,

(2017), harm can include damage to one's social reputation, one's ability to work or – in

a nonprofit's case – obtain funding, emotional well-being related to the participation, and

much more. Therefore, given the potential sensitivity of the topic to the nonprofit

organizations' direct revenue stream(s), being able to generalize and categorize the types

of mandates, the impacts – broadly speaking – that the mandates have upon capacity, and

any other relevant information which was obtained during data collection was given close

attention. Consequently, this study was not designed to unveil information specific to any

one funder issuing mandates, a specific nonprofit organization considered to be in

noncompliance with any assigned mandates, or any other related and detailed

information. Instead, the focus of the study was on whether unfunded mandates exist,

what they are, and how they impact organizational capacity in the opinion or experience

of the executive director. The more generalized focus was crucial to the ability to keep identifiable information confidential as well as to remained focused on the intended methodological approach.

Further, all data collection was done personally, as was all transcription, to protect the confidentiality and sensitivity of the data. All data analyzed was kept confidential in nature and anonymized for research purposes. Additionally, any data to be published includes only the results which were obtained after the coding and analysis completion. No raw data or sensitive information has been shared with any external third parties and the executive directors participating received the opportunity to review transcripts and address any confidentiality or accuracy concerns upon completion of the transcription. In addition, each participant was assigned a number, instead of using their names, and the ledger will remain kept in a secure location without any accessibility by third parties. This ensures continued anonymity for the executive directors, as well as their organizations. The possibility of being able to deduce which nonprofit the information came from is also none after the employment of the unique numbering system. This is especially accurate as the questions are all general enough that they collected the data desired, without requiring any specific details which could identify an organization or executive director. Finally, to the extent that any details were given during data collection, they were generalized since they were deemed unnecessary or irrelevant to the analysis and writing processes used in this study.

There was also the minor chance that, while collecting the data, an executive director would disclose that their organization is in noncompliance, perhaps willingly, of

the unfunded mandates they receive from their external stakeholders. Had that been disclosed, for most mandates that would have meant an ethical, although likely only contractual, violation on the part of the nonprofit. However, there could have been a chance that the federal, state, or local government was funding one or more of the nonprofits. Unfunded mandates are regularly included in new legislation when passed, which then can become a requirement of a nonprofit organization, should they accept funding which includes that mandate. Unfortunately, that would have meant there was a chance the nonprofits were breaking actual law(s) by being in noncompliance with an unfunded government mandate. As such, there would have been an ethical dilemma which may have presented itself during data collection. However, as a private researcher offering confidentiality as part of the data collection process, it was not my personal responsibility to report all breaches in compliance to the external stakeholders who had issued such mandates. Nevertheless, there was an ethical and legal responsibility to report intentionally illegal and/or harmful activities to the proper authorities if witnessed or disclosed – i.e., theft, fraud, exploitation, abuse, or physical harm. In such an instance, although it did not present itself during this study, I would have worked with the Walden University IRB and other necessary Walden University staff members to raise and/or address any ethical concerns in full compliance of any University and legal requirements.

Data Analysis Plan

Upon data collection saturation, and the finalization of the transcripts and memos written after each interview to record impressions, miscellaneous information, etc., coding was the next step in the review and analysis process. Initial coding took place

manually using the In Vivo approach (Saldaña, 2016, pp. 105-108), to capture any

higher-level impressions, prior to moving forward with the Focused coding. This

approach worked well within the study's framework, as it was an inductive approach to

data management and allowed for the ability to use the participant's actual language and

phrases during the coding process. For the secondary coding, NVivo software was used

to better organize and analyze the data entered from the transcripts, which then further

elevated the quality of the results. This process also made verifying insights into the data

and final analysis more efficient and accurate, as the manual coding provided a

touchpoint for first impressions and early insights as a crosscheck. Being an exploratory

study, using rational choice theory, the analysis of the data was more about capturing the

insights and analyzing if and how they are important to the field of knowledge related to

organizational decision making and capacity impacts (Ravitch & Carl, 2016).

<div align="center">**Issues of Trustworthiness**</div>

Credibility

Credibility of the interview data was offered by member-checking of the

instruments, transcripts, and coding and analysis process. For triangulation, coding and

analysis both manually, and then again through the QDA NVivo software, offered

multiple methods for the coding and analysis of the information.

Transferability

The transferability of the results was considered during the process and included.

The use of multiple levels of manual coding, and then the application of categories to

group the assigned codes, provided the generalizability necessary to offer transferability.

Additionally, stronger categorical and coding processes with the support of the QDA software offered even further generalizability to the data and its transferability.

Dependability

Dependability for the data collected was focused upon by strict adherence to the IRB reviewed and approved interview guide and questions, the use of consistent data collection tools techniques each time, and by remaining consistent with the interview locations being only the organizational office(s) or a neutral third-party location as selected by the participant. In this manner, the analysis of any differences in responses and extraction of insights from the data was more reliable. Additionally, detailed memos and/or notes taken during the interview process were important. This information was critical to ensure an accurate description was used and there was addressability of any anomalies noted in the settings, responses, or approach to the interview processes, which then further better defined and supported the study dependability.

Confirmability

Confirmability was offered by thoroughly documenting and maintaining the audit trail and appropriately summarizing those details in the results section of the study. Moreover, the inclusion of a disclosure of any research bias that presented during the data collection or analysis processes addressed reflexivity and offered the ability to determine whether the results can be corroborated as presented.

Ethical Procedures

Upon Walden University IRB review and approval of the study instrumentation and related forms, as attached in Appendix A, the study participants were selected using

the aforementioned strategies, which prevented any ethical concerns related to the recruitment of participants or their selection. The interviews with the selected nonprofit executive directors were then conducted confidentially in-person, on-site at each executive director's organizational office or a third-party location if they requested, at a time and on a day that was convenient to them. The data was collected via digital recording device and handwritten notes which were taken during the interview. After completion of the interviews, both the digital recording and the handwritten notes were transcribed by me only and then sent to the interviewees for their review and any suggested edits, comments, or concerns. This information was also anonymized by assigning a unique identifier to each participant's records instead of their name or their organization's name, and I have maintained the only copy of this key in a locked, secure location as intended. The original data collected, and the related handwritten notes, are stored in hard and electronic locations accessible only by key or password which I have maintained independently and have the only access to for confidentiality purposes. Additionally, aside from the participants during their review of their individual transcripts, only myself has accessed the collected data for further analysis, as participants have been granted confidentiality for themselves and their organizations, per the anonymization process previously described. The transcribed data was then analyzed using Focused manual coding, before it was analyzed in NVivo for secondary coding purposes.

Summary

In summary, using Ostrom's (1990) rational choice theory and institutional ethnography (Babbie, 2017), heterogeneity sampling was conducted to interview the executive directors of 15 small Colorado Front Range nonprofit organizations, as previously described and the results of which are reviewed in Chapter 4. Upon IRB review and approval of the study instrumentation and related forms, as attached in Appendix A, the interviews with the selected nonprofit executive directors were conducted confidentially and independently in-person, on-site at each executive director's organizational office or a third-party location convenient to them as and when requested. The data, collected via a digital recording device and handwritten notes which were taken during the process, was then transcribed into an electronic written record upon completion of the interview. Data was then analyzed using Focused manual coding, before being analyzed in QDA NVivo software for secondary coding and verification purposes. This helped to ensure credibility, transferability, dependability, and confirmability of the analyzed results as intended and which is detailed in Chapter 5.

Chapter 4: Results

Introduction: Purpose of the Research

The purpose of the qualitative study conducted was to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less, in the Front Range Region of Colorado. Previously, there was minimal prior research available which explored how unfunded mandates have organizationally impacted the capacity of smaller nonprofit organizations and none that appeared to explore such phenomenon across nonprofit subspecialties. Earlier research has shown that there was no conclusive information regarding whether nonprofits have been operating out of compliance, whether mission-related work was being impacted - negatively or positively - with the focus on the professionalization and accountability requirements, or whether nonprofits have decided to diversify funding differently because of certain stakeholders having previously assigned additional, and typically unfunded, mandates. As such, in this chapter I will review the research question of the study conducted, explain the circumstances surrounding the study, before finally documenting the data collection techniques and presenting the results of the study.

Research Question

How is the organizational capacity of Front Range Colorado nonprofit organizations, with annual budgets of $500,000 or less, impacted by unfunded stakeholder mandates?

Setting

A qualitative phenomenological study which used rational choice theory (Ostrom, 1990) was selected to study the phenomenon. Specifically, I sought to study the lived experiences for the nonprofit organizations' executive directors as it related to their compliance with unfunded mandates and how that affected the organizational capacity in terms of the nonprofits' effectiveness. Due to the sensitivity of the topic being examined, most of the study participants elected to meet at a neutral third-party location for their interviews. This offered the confirmed benefit of permitting the study participants to be more open and honest in their conversation, as several participants stated they could be more direct when there was no concern of being overheard by employees, Board members, or other organizational stakeholders. As intended, I traveled to meet with each participant on a date and at a time that was convenient to their schedule and over the course of 3 months.

Demographics

The demographics of the study were diverse in nature. Eleven women and four men were interviewed from the Colorado cities of Fort Collins, Longmont, Denver, Aurora, and Colorado Springs. There were three study participants from each geographic location listed. The ages of the study participants were also notably diverse, as some executive directors were more experienced with several decades of nonprofit experience, and prior earlier careers in different fields entirely, while others were younger and the role of nonprofit executive director was their first career, as they themselves defined it, since completing their schooling. Moreover, all the study participants were from a variety

of nonprofit organizations, as no single subspecialty was selected as a focus or duplicated among their nonprofit organizations.

Data Collection

Semi structured in-person interviews were used, using a maximum variation (heterogeneity) purposeful sampling strategy, as earlier described in Chapter 3. Of the 15 executive directors interviewed, the majority elected to meet at a third-party location for their interview, each of which lasted approximately but no longer than thirty minutes. The 30-minute time period was inclusive of any unfunded mandate clarifications requested at the beginning of the interview and any general questions and answers at the end. There were 10 interview questions asked of each study participant during their 30-minute interview period. The order of the questions was the same for each participant and additional clarification was given only as requested to help the participant fully understand a question prior to answering. Each participant was given the option of answering each question, declining to answer, stating "I do not know", or stopping the interview at any time.

There was only one meeting date for each participant and there were no requests for follow-up clarifications, additional data, or changes to transcripts. The meetings took place in the Colorado cities of Fort Collins, Longmont, Denver, Aurora, and Colorado Springs, in the months of November and December of 2018 and January of 2019, on a date and time convenient to and selected by each participant. The holidays did present somewhat of a scheduling challenge, since the executive directors for most of the eligible nonprofit organizations were focused on end-of-year giving campaigns. However, the

executive directors all stated they wanted to ensure they made the time for participation

in the study, during the last question of the interview, as they were hopeful and excited

that the results may be useful for bettering the knowledge of their stakeholders and the

improvement of their field in the future.

The data collection was completed through an audio recording process which was

accomplished with a small hand-held audio recording device. I also took hard copy notes

throughout each interview to record emphatic phrases or visual observations such as

stress, joy, or disdain. There were no deviations from the intended data collection

techniques, as described previously in Chapter 3.

Nevertheless, there was one unique situation that arose consistently during the

participant selection process, as well as during the beginning of each interview. The

situation that arose with each study participant was their admittance of their lack of

understanding regarding the definition of the term *unfunded mandate*. Most of the

executive directors were confused by the term, but willing to entertain the notion that the

study could be relevant to the nonprofit field or their nonprofit organization. This allowed

for the ability to set the interview dates with each participant. However, upon

introductions at each interview, the executive directors again expressed confusion and

asked for further clarification of the term *unfunded mandate*, with several determining

upon explanation that their nonprofit organization had none. However, even upon those

individual determinations, each participant was still willing to complete the interview

process for the sake of the research study and their interest in the results. This then led to

each participant, at some point during the interview, internalizing the meaning of

unfunded mandate through the remaining question and answer process, which invariably then led to further conversation, go-backs to previous questions to allow for further consideration or reflection by the study participant, and ultimately additional data collection.

One of the other unique circumstances that arose several times throughout the data collection for the study, upon completion of the interview process, was having the study participants ask for publicity of their nonprofit and/or a contribution to their mission. After politely declining, additional details were then given, and dialogue ensued, to ensure they had a clear understanding of why either of those circumstances may be considered unethical and potentially jeopardize the results of the research study. The unpredictable aspect of those study participants seeking publicity from a research study that centered on anonymity and confidentiality presented an ethical situation that could have jeopardized trustworthiness in the research had it not been properly recognized and mitigated through further education of the study participants.

Data Analysis

Using the In Vivo approach, initial coding was completed manually, upon finalization of the manual transcripts of the 15 interviews from digital recording to written text documents (Saldaña, 2016, pp. 105-108). This helped to capture any higher-level impressions obtained during the interview process, prior to completing Focused coding as had been planned and explained previously in Chapter 3. For the secondary coding, NVivo software was then used to re-analyze the manual coding previously conducted to further verify the results. As this was an exploratory study using rational

choice theory, there were no discrepant cases that emerged, since this approach was focused on the accurate summarization and analysis of the insights of each participant and examining if and how those insights are important to the field of knowledge, specifically in relation to the nonprofit organizational decision making process and any related capacity impacts (Ravitch & Carl, 2016).

The specific codes that emerged during analysis from the study participants' answers were: performance reports, financial reports, extra requirements, registration reporting, funding, measurable outcomes, mission statements, policy, strategic growth, volunteers, time, state requirements, foundations, reimbursements, members, Colorado Gives, time, accountant, calculated risk, low risk, and no risk. After evaluating the codes, I defined the following categories: money, paper requirements, people, and organizational focus areas for the executive director. These categories were then transferred into overall themes, consistent with the chosen coding methods. The themes that then emerged from the data analysis processes were reporting, organizational improvement, and lack of resources.

Evidence of Trustworthiness

Credibility

There was no adjustment to the credibility strategy offered in Chapter 3. Credibility was offered by member-checking of the instruments, transcripts, and coding and analysis processes. For triangulation, coding and analysis was completed manually and again through the QDA NVivo software which offered multiple methods for the coding and analysis of the information. The use of QDA NVivo also confirmed the

accuracy of the manual coding and analysis conducted, as it was used only upon completion of the manual coding and analysis process.

Transferability

There was no adjustment to the transferability strategy offered in Chapter 3. The transferability of the results was considered throughout the process and included. The use of multiple levels of manual coding, and the application of categories to group the assigned codes, provided the generalizability necessary to offer transferability. Additionally, the stronger categorical and coding processes using the QDA software offered even further generalizability to the data and its transferability.

Dependability

There was no adjustment to the dependability strategy offered in Chapter 3. Dependability for the data collected was focused upon by a strict adherence to the interview guide and questions, the use of consistent data collection tools and techniques each time, and by remaining consistent with the interview locations offering only organizational office(s) or a neutral third-party location, as selected by each participant. This made analysis of the differences in responses, and the ability to draw insights from the data, more reliable and meaningful. Additionally, the notes taken during each interview proved to be very important, as it allowed for an accurate consideration of any variance in participant reactions to each interview question during the data analysis process, to better define and support dependability.

Confirmability

There was no adjustment to the confirmability strategy offered in Chapter 3. Confirmability was achieved by thoroughly documenting and maintaining the audit trail of the study activity as it was planned and defined in Chapter 3 and then carried out during the study. Further confirmability was achieved by removing all my prior nonprofit field associates from the participant pool, which left only unknown executive directors, and unknown nonprofit organizations, to select as interest survey participants and then later as potential study participants selected using the purposeful sampling process.

Results

There were 10 questions asked of each study participant, the results of which are detailed in this section. Upon analysis, the themes that emerged from the data collected by asking those 10 questions of each participant were reporting, organizational improvement, and lack of resources.

Additional Reporting

Additional reporting was a theme that arose early during each interview and consistently throughout all 15 interviews. According to all the 15 nonprofit executive directors interviewed, every type of subspecialty nonprofit organization has, in some way, had to accommodate extra reporting requirements from external stakeholders. The requirement for performance reports, financial reports, and reimbursement-related reports has been levied upon nonprofits by funders, governmental entities, and even constituents. One executive director described it in by stating, "You want to make sure you're staying

legal and all of that and so you do the reporting. But I feel like then if something has to

give, your program ends up taking the hit."

Several study participants voiced a similar concern and specified that in their

opinion the extra reporting took up valuable time that could be better used completing

programmatic or mission-related work. One executive director explained,

"Colorado Gives, there is an inordinate amount of time updating everything and

the approval process takes months. So, I just absorb it into the cost of whatever

personnel is working on … but there's some places like that where you spent an

inordinate amount of time … only to have it rejected."

Another executive director described it in this way,

"Because we are such a small operation, anytime there is more that is added to the

plate of the business, it falls on one of the two and a half of us, right? And we try

to work all together on that, but the truth of the matter is they absolutely impact us

and learning that … that became an unfunded business mandate for us on a local

level that impacted our bottom line and our time, impacted a whole bunch of

things which all goes to capacity."

A third executive director stated,

"I understand for foundations they want reports and unfortunately because so

many nonprofits have been sketchy with money, and so they want to see that the

organization is secure and stable and is using the money appropriately. But I am

not sure this system is really the way to do that either. I am not sure it actually

functions to serve that purpose. The actual requirements, mandates, are not

strengthening at all – it is just copying and pasting and redundancy and is detrimental in terms of time. It is inefficient. I don't feel like I gain new insights from any of those processes."

However, a different executive director interviewed had more of a mixed opinion on reporting and stated,

"But they do sometimes want a lot of numbers. Sometimes they will count finances from the middle of this year into the middle of the next year. But we do all of our accounting based on our fiscal year, which is calendar year, so then it is like we have to go back and do a recount and tracking to try to answer the questions. Like are these numbers we can come up with and if we do not currently track that. Like sometimes, with Colorado Gives, it was like I have heard this is good to do and I have no idea what the outcome will be, but let's try it. And gosh, it was a lot of hours…. but we get zero if we do not do it, so we need to try it."

Therefore, as illustrated by the prior interview comment, even some who considered the extra reporting a lot of work agreed with a strong majority of the other participants who divulged that they believed the extra reporting offered a better level of transparency of organizational activity for stakeholders. The additional transparency, while deemed time-consuming, was also considered useful by many of the executive directors who determined it as beneficial to have those supplementary details already prepared when seeking out additional or new funding, support, or participation for their cause.

For example, one executive director mentioned,

"I do think some of it has helped with other organizational goals, the Colorado

Gives requirements. It helps us be more steady, to have those kinds of policies

and protects us as an organization. Those things are good. But it has impacted the

organization in other ways. We already have a full-time workload, but now we

need to add more things to the list to use for reporting or registrations that were

daunting and probably let us know that we needed to have more volunteers."

It was explained by another executive director in this way,

"But maybe not exclusively in an entirely negative way because then some stuff it

is things that we need to do, that makes the organization more sustainable. But if

we could do our programmatic work all day instead of doing the administrative

tasks, we would feel like we were better stewards of the money and a super

directed organization that only completes work that solely advances the goals of

the organization. But that also sound a little disorganized. How effective would

we really be not having any administration?"

Additionally, the transparency achieved by these reporting requirements was

deemed to offer a legitimacy to the programs being offered under those nonprofit

organizations, which allowed several executive directors to increase their programmatic

offerings. As yet another executive director clarified,

"Our tri-level reporting for one of our existing grants meant that we were better

prepared to apply for new or different types of grants or foundation awards that

we had not tried before. One of which we went after on a long shot and ended up

winning just because we had a new perspective on our data that one random

report asked for and that meant we qualified for a new type of funding for a new program barely off the ground."

There was one dissenting executive director however, who felt the extra reporting had gone too far in the negative direction when they were asked to re-record over one years' worth of timecards for each of their employees, in a secondary time-keeping system of the funder. This challenge arose upon turnover at the funders' organization when a review of the previously submitted timecards, by the funder's newly assigned contact, revealed the prior submissions to be noncompliant even though the executive director had followed the written directions of their prior contact within that funder's organization. In this specific circumstance, the study participant, their staff, and their volunteers, who were also required to track their time, all lost over two weeks of personnel capacity while trying to re-gain approval as compliant to ensure they did not lose their support from that stakeholder. They were recreating timecards for personnel and volunteers no longer with their nonprofit organization and could not gain approval to simply correct the situation going forward. For compliance, the historical data was required to be corrected as well, even in cases where details were not readily accessible. For that specific executive director, the additional reporting requirement was explicitly determined as harmful to the nonprofit organization's organizational capacity to complete their programmatic obligations. However, this same executive director also acknowledged they would probably not hold such an opinion if this specific situation had never arisen, as their other unfunded mandates had not previously proven harmful or problematic to the organization's capacity to conduct their mission-related work.

Organizational Improvement

Another theme that readily emerged from the analysis of the study data collected

was that of organizational improvement. Remarkably, even with the acknowledgement

that many of the unfunded mandates did impact organizational capacity by taking away

personnel time and resources, the overall opinion of the executive directors interviewed

was that of a positive outcome for their nonprofit organization. In one instance, there was

an executive director who described the unfunded mandates' impact on their

organizational mission. They stated,

> "So we've adjusted our mission to be a little broader so that again we can think
>
> about growing strategically, because again, unfunded mandates. But that also
>
> means more programs, which is heartwarming and makes us feel like it is worth
>
> the extra effort."

A different executive director discussed it in this way,

> "You're looking at how you can further your impact. And if you're not furthering
>
> your impact, and not furthering your mission, you're…you're really not working
>
> towards and for humanity. For us, furthering our impact was improved just by
>
> adding our nondiscrimination policy. It allowed us to expand resources by putting
>
> in writing something we were already doing in practice. Just as one example."

Still another director stated,

> "So it's made it more [relevant] where we're still doing the same information but
>
> in a format that actually gives us information about our end goal ongoing. So

that's really great. I feel like we're not necessarily doing more, we're just changing and formalizing how we do things. And then that is helpful later on."

Additionally, by taking little to no risk of noncompliance with the unfunded mandates levied upon each nonprofit organization's staff, there was ultimately additional organizational improvement. As one executive director stated,

"I have a zero-risk policy. And I know non-profits are and it's hard to do [programmatic work] when you're asked to report on every little thing. But that's way I stay ahead of it and keep data handy. Just because of the feeling like you never know who's gonna ask for it. Then, when they do, it's ready and you don't lose even more time."

Another executive director felt much the same way, stating,

"I would try to work around a programmatic requirement or programmatic need to complete the mandates. That is way too scary. And there are so many potential benefits. Colorado Gives is a great example. To not be on there…fortunately the year we were not on there was not a big deal since it was not being used to its full capacity, but now that we are on there, it would be terrible to be noncompliant and miss it."

There was another executive director who felt similarly about compliance benefitting and improving the organization. They said,

"Ultimately you have to do those things whether or not I like it, I think the risk of failing to comply with those things in terms of a business decision are potentially existential. It wouldn't be hard to remove our business capacity entirely if the

state or the feds swoop down on us, so we're not going to jeopardize the business

for what really amounts to a few hours of work at this point. We do not want to be

ideologically rigid, but we do want to be ideologically smart. You try to be as

efficient as you can. You are constantly learning and have your 'uh oh' moments

frequently and then you learn more and add them into your business plan to deal

with and get better."

Still another executive director asserted,

"I'm like a very worst-case scenario type of a person. I never want to do anything

that could even remotely look unethical. I don't want a misstep like that to be

what takes us down…especially in the age of social media where everything

about our mission is enmeshed with online content. It only takes one rogue social

media post, so we take a very black and white approach and that allows us to

continue growing as we go."

Further, as a group, the 15 study participants were pleased with the ability to seek

out and apply for additional funding from new sources by mandating compliance with

unfunded mandates. Needing less time for preparatory work before seeking out new

funders, due to the prior changes the staff of the nonprofit organization(s) had already

implemented, left the study participants feeling that they had received more benefit than

harm from their unfunded mandates to-date. As one executive director told me,

"And so that's a conversation and is just something you really want to do right. I

tend to be someone who is a little more rigid and if this has to be done anyway,

you report on stuff ahead of time and then can use it for other grant applications

or sponsorships later. Twice the impact for the organization doing it that way, even though it was time I initially didn't want to give up."

There was one executive director however who made an interesting point when discussing how much new funding they were willing to go after versus not. Specifically, even though the unfunded mandates allowed them the ability to apply for new program sponsorships, it did not automatically translate into action. They stated,

"Yeah I have that weird thing where it's like I don't want to stay small, you know, because the need is there. I've done the research. But at the same time, it's good for us where we're at right now and we're growing at a steady pace which that we can keep up with."

As mentioned in one of the earlier quotes from an executive director, Colorado Gives Day, a Colorado state-wide fundraising opportunity for eligible nonprofits who take the time to appropriately register for it annually, was also one of the primary examples given by study participants. Upon research and confirmation of the as-described robust and somewhat exhaustive list of required policies, reports, and statements needed to register for Colorado Gives Day – to prove legitimacy and suitability – each study participant acknowledged having had to improve the professionalization of their respective organization to complete registration.

For some of the other executive directors, it was as simple as adding a new policy or formalizing their annual budget report into a more presentable format. For others, it meant revising mission statements, the creation of a strategic plan, and even the re-definition of existing programs in one instance where a nonprofit organization's

definition of their ongoing activity in the community was too vague and did not actually

match their nonprofit state registration and related Articles of Incorporation. One

executive director explained,

> "I mean if you don't have a solid sound strategic plan that's been developed in
>
> tandem with your Board, you're not going to have a lot of credibility with funders.
>
> So, you've got to have that in place. And luckily for us, we just completed that
>
> before we decided to try Colorado Gives Day."

Another executive director specified,

> "Yeah, a lot of those things are in place because we had to do all of that in order
>
> to sign up for Colorado Gives Day. There's all that paperwork that has to be done
>
> right I guess. Then also the financials that you have to do to attach to all of that.
>
> And some of that meant new stuff because Quicken didn't do what Colorado
>
> Gives wanted in terms of those financials. And our Articles of Incorporation those
>
> were from forever ago and we've grown since then. So that required Board input
>
> and lots of time – but the return was well worth it when we got the funds and the
>
> matching check. So good ROI, you know - return on investment, in that case."

Lack of Resources

The last major theme that arose upon coding and analysis of the study data

collected was a lack of resources. All 15 participants emphatically spoke about the

overall lack of resources readily available for their use in conducting their programmatic

work. One executive director put it very directly, stating,

"I'm the only full-time staff. Most all the responsibilities fall on me. So, Secretary

of State definitely is one - the updating. Colorado Gives Day paperwork every

year is a beast…yep yep. Always more to do than there is time."

Another executive director was in a very similar situation and stated,

"Some of it I shy away from. Some of it I just push through because you have to

get it. You put it on the calendar and it's like I have this deadline. And if it means

staying up late to get it done, you get it done. It definitely makes it tricky to get all

of that stuff done."

From a lack of time, to a lack of personnel, to the lack of funding, this resounding

theme was a key consideration in how the study participants chose to select funding

opportunities, conduct their mission-related work, and whether they felt their nonprofit

organization was performing successfully for the stakeholders it was aimed at supporting.

One executive director described it saying,

"We are working really hard to find people, whether they're a board member or a

really active volunteer, who can say this is the one thing I'll be accountable for

because otherwise it's really me and this other person I work closely with full

time. I literally just I am like yeah, it's crazy."

Another executive director admitted,

"It's like you know, we are just so lean. We're so lean. And I think one of the

things that you realize from a sustainability standpoint when you're this small, is

what you do to yourself, what you do to your staff in terms of over-extending,

over-committing, agreeing to things that really significantly change the culture of

an organization."

This lived experience of the study participants of having to make-do at their

organizations with a lack of resources, as divulged very emotionally for by participants

and somewhat dispassionately – as if unavoidable – by others, only served to further

emphasize the significance of this theme's presentation in the study results. There was

not one study participant who disclosed that their nonprofit organization had an

appropriate level of resources available for their funded or unfunded mandates. There

was even one executive director interviewed who disclosed that they were dissolving

their nonprofit organization over the first quarter of 2019 due to lack of resources.

Emotionally, they admitted,

> "And so, on any given day I can have a million people flake out, but you know it's
>
> on our conscience to ethically deliver to a client what they've been promised. So
>
> then we don't want to drop the ball, so we're working 60 hours a week. Easily
>
> we're each both of us working 60 hours a week, which is not sustainable. So yeah.
>
> So that's part of the reason for shutting down."

Within this theme, it was further documented that funding opportunities without

unfunded mandates attached were more readily available for some of the study

participants interviewed than for others. In most instances, this had to do with their

organization's subspecialty or geographic region. One specific example from executive

director was,

"We are a really small shop. We have two and a half employees. But, we have the

fortune of a state and national umbrella. That gives us additional funding

opportunities and labor or support where others maybe do not have that option.

Specifically, we can apply for state or national funding through our umbrella

network, but there's no additional work because they already have all our data.

All our numbers."

However, consistent across all the nonprofit organizations, was the fact that most

of the additional and larger funding opportunities the study participants could use to

further the mission-related work all required extra reporting and extra infrastructure for

the larger funding awards. This was deemed to be problematic for many of the study

participants as they discussed it, as they stated that they did not have the staff, the

volunteers, or the expertise to comply with those unfunded mandates which would be

applicable upon receipt of an award. One executive director succinctly stated, "The

reality is there's only so many hours in the day." Another director replied,

"We already have a full-time workload, but now we would need to add more

things to the list to use for reporting or registrations that were daunting and

probably let us know that we needed to have more volunteers, for the

nonconfidential things we can use their help with. But we simply aren't there

yet."

One other executive director gave the following testimonial about exactly why

they did not pursue any of the larger federally funded grant awards they knew they were

eligible to receive. They specified,

"This is a lot of this is by design that we don't get a lot of government funding. And it's not that it hasn't come up as a possibility or an option, but I am just not particularly interested in taking on the overhead associated with that. We have learned to exist and grow and thrive without government funding. I've had government funders approach me about funding and I've actually turned it down just because when I saw the compliance requirements reporting and compliance requirements…it was just that's not the organization we are at this point. Culturally, structurally, that's not who we are."

Another executive director disclosed that their nonprofit actually attempted a larger governmental program, but there were unexpected organizational capacity impacts as a result, which led them to dropping the program due to lack of resources. Specifically, they explained,

"So here's an interesting one, we own a business (the nonprofit owns a business) that was certified …to do this new process, it was kind a competitive thing to get into, but then it was unfunded, and there were requirements to stay in the program and to be sufficiently, basically to be functioning operators of this pilot program they're doing, but it was all unfunded. Talk about impact to capacity and unfunded mandates! We needed this badly for our funding portfolio, to increase it, but we just did not have the resources to sustain it."

Additionally, while many of the study participants acknowledged the need for larger funding awards to better conduct their mission-related work, they also explicitly acknowledged that they would likely be unable to complete the mission-related programs

being proposed due to the heavy administrative burden of the unfunded mandates attached to those awards, even if they did have the staff or expertise for compliance. In their responses, they highlighted the number of different forms in which the information could be requested, the requirement of expensive reporting equipment or software, and the inability to obtain funding to compensate for training or additional personnel related to any of that possible funding as a reason to avoid it entirely. For one executive director, their opinion was,

"The actual requirements are not strengthening at all – it is just copying and pasting and redundancy and is detrimental in terms of time. It is inefficient. I don't feel like I gain new insights from any of those processes. Although, I guess I could say there would be some value in having some pressure to create a persuasive argument to keep the…funding year-to-year – to create a compelling argument. So, I could see how that could serve a purpose in another moment and be beneficial."

However, most the study participants did assert that they would rather give up any additional programmatic capacity and impact tied to larger awards in order to avoid further unfunded mandates and risk the related noncompliance to those new unfunded mandates. One specified,

"We are pretty small. So, we've been pretty scrappy about let's take everything on and make it work. We don't have the capacity to spend the resources for just requirements, but we do try to comply with everything we can. That being said,

there are definitely things we don't chase. Risks we just can't take. May not last

forever, but it works for right now."

In a separate interview, a different executive director stated,

"It's almost like they are asking us to fail. Either we are completing the work we

proposed under the grant or we are doing their reporting, but we simply cannot do

both and I can't believe they don't know that! We don't qualify for extra money

to help hire on staff to do the reporting and our volunteers don't have the

expertise, but an extra pot of money for that is exactly we need."

Of the study participants interviewed, there were 13 out of the 15 that stated they

completed their 'official' work as required by the Board and then took on the

responsibility of the unfunded mandates themselves and on their own time. Their

reasoning described behind this in their responses was two-fold. First was that they did

not want their staff or volunteers burning out on non-mission-related workload. As one

executive director expressed,

"That's hard – that's where we go to bed at night and our stomachs hurt because

of the families we can't help. But at the same time, we have to be bringing money

in and be able to pay for the programming. It is only a couple of us and that is part

of it as executive director to be sure we are balancing both."

The second was that there simply was not enough time in the day for anyone else

to do the work. In one instance, it was explained in this manner,

"So, we're a staff of five and we don't have any administrative person, and we

don't have any development person or any human resources, so that all falls on

me. As with many executive directors."

Another executive director stated,

"I probably more than anybody have the capability to articulate this mission, and

the depth of this mission, since I'm the one that created it. But on top of the

programmatic work I actually complete while I am traveling all over the country,

I am literally bogged down every single day with just the daily, you know, things

that come up in the organization. But I will not impose on my other volunteers,

many of who are gracious enough to keep working on our mission even though

they are not getting paid."

Several others clarified this sentiment by stating that as executive director, they

felt it was their responsibility to do all they could to set their staff up to be successful. For

those individuals, they all stated they complete the unfunded mandates unpaid and on

their own time, to ensure compliance and to limit any negative impact on their programs.

In one instance, there was an executive director who said,

"It being small and wearing all the hats. It's like, it's just something that we have

and then you feel like the unfunded mandates do have impact to your

programmatic capacity. So instead, you take it on yourself."

Another executive director with this viewpoint expressed,

"Colorado Gives day registration was very daunting but I loved it because it was

so comprehensive of who we are. But the first year was really difficult and

seemed like it took an entire year. It is ridiculous to try to keep up materials in so many different places, it is too easy to make a mistake, but the idea of having everything in one place is important so that it takes less time going forward. Guidestar was one where there was stuff that had to be done before you could do another site, but that also seemed important, so we did that one too. Sometimes I am not even sure why I am doing it, but it seems important, so I do it. And even though we have volunteers, I really am the one doing it. I cannot ask my one point five other staff members to give up what little time they have to do this. Someone needs to be doing the programs after all."

Summary

While none of the 15 study participants interviewed started with a clear understanding of what an *unfunded mandate* was by name, with most simply calling them 'extra requirements', they all acknowledged extensive experience with receiving and complying with them. When asked, none of the study participants stated that they formally track their unfunded mandates, although some stated that they kept calendar appointments for due dates or kept the running list of requirements in their head. However, there were several study participants that did later express an intent to start formally tracking their unfunded mandates, upon completion of their interview for this study, after further consideration and discussion of the topic as a whole.

There was no tolerance for noncompliance with unfunded mandates among the study participants, primarily due to possible risk of funding loss, and there was an acknowledged impact to organizational capacity by the study participants in all 15

interviews. The acknowledged impact to organizational capacity was deemed worthwhile in the majority opinion of the study participants, even while they each also acknowledged a resounding lack of resources available for compliance with the unfunded mandates.

Chapter 5 presents the integration, synthesis, and evaluation of the literature review and interview data as it relates to the study research question. Also, further documented are the recommendations for further research and implications for positive social change.

Chapter 5: Discussion, Conclusions, and Recommendations

Introduction

I conducted a qualitative phenomenological study by interviewing 15 executive directors of small nonprofit organizations to explore how unfunded stakeholder mandates impact the organizational capacity of nonprofit organizations with an operating budget of $500,000 or less, in the Front Range Region of Colorado. To do this, I used rational choice theory, applied institutional ethnography, and used in-person interviews to collect data before then analyzing for any patterns and categories related to the research study phenomenon. This nonexperimental approach was selected to help construct a clear understanding of the phenomenon being studied through the detailed descriptions the in-person interviews offered.

Upon analysis, the findings of the study data revealed that each of the study participants acknowledged extensive experience with receiving and complying with unfunded mandates. Furthermore, there was no tolerance for noncompliance with unfunded mandates among the study participants, due to possible risk of funding loss, and there was an acknowledged impact to organizational capacity in all 15 instances. However, the acknowledged impact to organizational capacity was deemed worthwhile or positive in nature in the majority opinion of the 15 study participants. Nevertheless, the study participants also each acknowledged they continued to have a resounding lack of resources available for compliance with the unfunded mandates assigned by their external stakeholders.

Interpretation of the Findings

Upon the determination of a demonstrable gap in the field of knowledge relating to how nonprofit organizational capacity is impacted by unfunded mandates when assigned by external stakeholders, Ostrom's (1990) rational choice theoretical framework was applied to review the decision-making process of nonprofit executive directors. Specifically, this framework was applied to try to determine how unfunded mandates are currently identified, interpreted, implemented by the study participants. There was then further consideration given regarding whether those mandates, when present, impact the nonprofit organization's overall organizational capacity.

The results of the analysis of the study data helped to extend the field of knowledge as it relates to unfunded mandates and their impact on the organizational capacity of small nonprofit organizations in the Front Range Region of Colorado with annual operating budgets of $500,000 or less. Specifically, it was determined that there is very little tolerance by the study participants for the idea of a nonprofit organization being in noncompliance with any known and acknowledged unfunded mandates it receives. All 15 executive directors interviewed ruled out intentionally disregarding a known unfunded mandate and being noncompliant just to further their mission-related goals. Every study participant further confirmed that they had already allowed for negative programmatic impacts in order to maintain their full compliance with known and acknowledged unfunded mandates, but with positive intentions for the longevity, effectiveness, success and transparency of their organization.

The results of this study also illustrated support of earlier literature, by Bryson (2010, 2011), Cordery et al. (2015), and Cousins et al. (2014), which suggested that some unfunded mandates - such as reporting for accountability and further professionalization - may have a positive impact upon the field of nonprofit organizations. Most of the study participants recognized the positive impacts they received by complying with the unfunded mandates to obtain new funding, keep existing funding, or qualify for potential funding. There was also an acknowledged benefit among the study participants that their compliance with unfunded mandates improved their transparency and thus made them more credible and valued by both their internal and their external stakeholders. This was anticipated, having reviewed the earlier research of Bromley et al. (2012), Bryson (2011), Langer and LeRoux (2017), and MacIndoe and Barman (2013), but previously had not been independently confirmed in this context.

While there was also some acknowledgment of the negative impact to organizational capacity, due to monopolization of internal resources, the vast majority of study participants did not deem the negative impacts to outweigh the positive impacts when specifically focusing on both viewpoints, a clear extension of the field of knowledge for this phenomenon. As such, this data seems to then contradict the earlier theory of Prakash and Gugerty (2010) who speculated that when internal organizational capacity was diverted toward the compliance of new unfunded mandates, it may lead to an exodus of nonprofit organizations from the market entirely. It also further seems to refute the findings of Mitchell et al., (2015), who reviewed the topic of nonprofit

organizational leaders' concerns related to organizational risk, mandated compliance, and how such compliance could increase organizational loss.

Likewise, the results of the data analysis of the study data demonstrated an advancement in the field of knowledge as it relates to whether compliance with unfunded mandates drive the way decision making is undertaken by the executive directors of nonprofits. Specifically, the results showed that while unfunded mandates are complied with when assigned, an executive director may intentionally elect not to seek out certain types of funding or participate in other well-defined activities due to known complex compliance requirements, even if there is some funding involved for their mission-related work. The data further showed that the executive directors interviewed felt it was more important to prioritize the longevity and success of the nonprofit organization and its existing programs, over the potential benefit of a lucrative program or funding source if there were new unfunded mandates involved. This supports the premise that, when reviewed through the lens of rational choice theory, an executive director will make the decision that best benefits their nonprofit organization and its interests (Adanali, 2017; Flynn, 2013; Forsyth & Johnson, 2014; Ostrom, 1991). Therefore, the interpretation of the results is that while unfunded mandates are not a specific driver of an executive director in their decision-making processes within their nonprofit organizations, they are nonetheless a strong consideration. Additionally, these results further suggest that there is a consideration to be had by external stakeholders where they more closely review and consider the inclusion of unfunded mandates. As, while they may be able to elicit compliance by the nonprofit organizations due to the no-risk mentality in the field, it was

apparent that there were activities intentionally avoided which could further the field and

the mission-related impact for the organizations if not for the unfunded mandates.

Limitations of the Study

The study included qualitative semi structured interviews with 15 executive

directors of nonprofit organizations, selected after their completion of a Survey Monkey

interest survey and the application of purposeful sampling. The interviews were

conducted on-site at their business locations or at a third-party location, at a date and time

convenient to each party, as independently elected by each participant. The executive

directors had no apprehension about answering the interview questions as prepared once

the term *unfunded mandates* was defined again specifically at the beginning of each

interview. For some participants, the option to meet at a third-party location of their

choice, instead of their office at the nonprofit organization, allowed for a more open and

honest conversation, as it assured confidentiality for the study participants while

responding to the questions. Additionally, the number of interviews conducted allowed

for saturation, even with the lack of delimitation toward nonprofit subspecialty.

Therefore, it was determined that there were no major limitations to the study or to the

trustworthiness of the execution of the study.

Recommendations

Upon completion of the study and consideration of the topic, further research

should be conducted on the topic of unfunded mandates and how they impact

organizational capacity for nonprofit organizations. Particularly, it would be helpful to

repeat this study in other geographical regions of the United States, keeping to the same

study structure, to verify whether executive directors use the same decision-making approach and hold the same viewpoints and values as those of the Front Range Region of Colorado. Specifically, there is a question about whether more economically depressed areas or more affluent areas hold different decision-making considerations. Additionally, it can be recommended to repeat this study with a focus on other nonprofit organizational sizes, for the same purposes as for the variance of the geographical region(s).

Another key area of future research, surrounding the topic of unfunded mandates and how they impact the organizational capacity of nonprofit organizations, would be to examine the phenomenon of why external stakeholders assign unfunded mandates and how they elect which ones to assign and when. It would be fruitful to the advancement of the field of knowledge to determine whether accountability and professionalization are really known considerations when unfunded mandates are assigned, as is documented within the literature referenced in Chapter 2, or whether there is another goal driving the external stakeholders when they are adding these unfunded requirements for nonprofit organizations. Asking the external stakeholders to formally recognize the existence of unfunded mandates and explore the "why" behind their creation and assignment may then help further the communication surrounding the impact of unfunded mandates for the entire nonprofit field.

Implications

The results of this research study have identified that there are some unfunded mandates which are recurrent from external stakeholders throughout the nonprofit industry. For example, the additional reporting requirements to add transparency and

accountability seem consistent throughout the nonprofit field and generally relate to finances and programmatic activities. The idea that these reports should be kept at the programmatic and organizational level for all nonprofits should be leveraged to help create a best practice for nonprofit organizations. By building this expectation into the fabric of a nonprofit organization, better planning for organizational resources can take place and more realistic goals can be built for programmatic and organizational activities. This increases effectiveness for the staff at the nonprofit organizations by ensuring they can meet stakeholder expectations without over-committing to their mission-related work.

At the same time, the results of this study can be used as a conversation starting point with funders, regulators, and other external stakeholders whose actions have intentional or unintentional impacts upon the nonprofit industry via activities such as assigning unfunded mandates. Being able to emphasize the phenomenon of a known and documented impact to organizational capacity within nonprofit organizations offers the opportunity for a new dialogue to begin between the relevant parties. It is clear that both stakeholders, executive directors of nonprofits and external stakeholders, willingly recognize a value-add to having some of the unfunded mandates in place. There is a documented benefit to the professionalization of nonprofit organizations. However, perhaps this study also offers an opportunity for all nonprofit industry stakeholders to work together to build an even stronger set of industry best practices, perhaps inclusive of a method to fund those best practices, thereby eliminating the need to add them individually as unfunded mandates and in such a varying, inconsistent manner.

Conclusion

The results of this research study offer unique clarification and insight into the impact of unfunded mandates on the organizational capacity of small nonprofit organizations in the Front Range Region of Colorado. There is a clearly acknowledged impact on organizational capacity, as confirmed by 15 executive directors of small nonprofit organizations in five Colorado Front Range Region cities. Remarkably, while the study participants recognized that their organizational capacity is impacted by unfunded mandates, which lessened their short-term programmatic outcomes, the resounding response was that the overall impact was worthwhile, positive, and beneficial to their nonprofit organizations in the long-term. The organizational improvement offered by the additional reporting and lack of resources helped professionalize the entire nonprofit organization in the mind of each executive director interviewed. Therefore, the decision-making process for the study participants seemed to be overwhelmingly in support of the accountability and transparency goals attached to the unfunded mandates, even if the study participants would prefer a funded way to accomplish the same outcomes. Further research into this phenomenon, and conversations with key stakeholders involved, can only continue to improve the knowledge in the field as it relates to the vast topic of unfunded mandates, organizational capacity, and nonprofit organizations.

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Appendix A: Interest Survey, Invitation, Informed Consent, and Interview Guide

Survey Monkey Interest Survey Questions

Question 1. Are you the Executive Director of a Colorado Front Range nonprofit organization? If yes, please continue. If no, thank you for your time.

Question 2. Is the annual budget of your Colorado Front Range nonprofit organization $500,000 or less? If yes, please continue. If no, thank you for your time.

Question 3. Would you be interested in participating in a qualitative study related to nonprofit organizations and unfunded mandate impacts on organizational capacity? If yes, please continue. If no, thank you for your time.

Question 4. If you are interested in participating in the study to be conducted, please submit your name, email, location (office address), and nonprofit organization's name for individual follow-up if you are selected to be a study participant.

Thank you for your participation in this survey. Selected participants will be contacted within two weeks of the close of this survey to set up half-hour interview times and locations convenient to the participant.

Appendix B: Invitation

Hello,

I hope this note finds you well.

As you may know from the prior interest survey you completed, I am conducting a research study as part of my dissertation in the Walden PhD program. I am writing to inquire as to whether you would like to be formally interviewed as a participant for the proposed study titled, "Unfunded Stakeholder Mandates and Nonprofit Performance Impacts: A Qualitative Study".

The interview process will include completing an Informed Consent statement (attached); and allowing me to interview you in person, on site at your nonprofit organization or at a third-party location of your selection if deemed necessary or desirable. The whole process should take no more than thirty (30) minutes of your time.

Please let me know if you would like to participate. My intention is to complete all interviews within a one (1) month timeframe, ideally with only one (1) visit to each organization/interview location if possible, so as to best respect your time and operational activities and responsibilities.

You can contact me by phone or e-mail if you have any questions.

I appreciate your consideration of my request and participation if agreeable.

Best Regards,

Courtney L. Coe

Introductory Statement:

Good (morning/afternoon/evening). Thank you for agreeing to take part in this interview for my research study about nonprofit organizations and how unfunded requirements, more formally known as mandates, may impact the nonprofit capacity to conduct mission-related work. There is a total of ten (10) questions and I anticipate the entire interview to take approximately thirty (30) minutes or less. Throughout the interview, if you become confused or do not understand a question as phrased, please feel free to stop and seek clarification from me.

Additionally, I will be recording the interview using a digital voice recorder to ensure I can remain engaged with you throughout the interview and later transcribe your responses completely and accurately into text. You will receive a copy of the interview transcript from me no later than two (2) weeks after we have concluded the interview process, to allow you the opportunity to review, edit and/or clarify your responses from this today's interview. It is requested that you return any comments, edits, or concerns you may have within two (2) weeks if possible to ensure the ongoing success of the research study.

I also want to remind you that I will not be identifying you, your nonprofit, or any external parties you may reference by name during the study analysis or in my study results. This is being done to ensure no one can identify you, your nonprofit, or any external parties you may name upon reviewing the written transcript, my data analyses, or the study results.

Finally, as a reminder, you have the right to request to stop the interview at any time, for any reason.

Do you have any questions before we get started?

Are you ready to begin the interview?

Appendix C: Interview Guide:

1. Does your organization track unfunded stakeholder mandates and, if so, how?

2. What are three examples of unfunded mandates your organization currently receives and by which external stakeholder or stakeholder groups are each assigned?

3. As executive director, how do you determine the potential organizational capacity impact any new unfunded mandates will have for your organization?

4. How do your organization's current unfunded mandates impact the mission-related work that is currently taking place?

5. Can you offer up to three examples of where or how you feel organizational capacity is most impacted by unfunded mandates?

6. What impact does the possibility of receiving unfunded mandates from an external stakeholder have on your organization's decision to conduct certain activities or request specific types of funding?

7. Is there an acceptable level of risk for the organization related to any noncompliance for unfunded mandates and if so, what is that level and why?

8. Is there an acceptable level of impact to organizational capacity related to any compliance with unfunded mandates and if so, what is that level and why?

9. Does your organization currently outsource any unfunded mandate compliance and, if so, how has that impacted your organizational capacity?

10. Are there any other issues relating to unfunded mandates and your organization that you would like to describe or discuss?

Appendix D: Closing Statement:

I want to thank you for your candor and for taking the time to speak with me today. Your responses and time are very valuable and greatly appreciated.

Do you have anything else you would like to add that I may not have included in the interview questions?

Do you have any final questions for me about the topic of my research, the timeline of the study, or next steps?

Are there any other questions you have for me?

Again, thank you for agreeing to meet with me, I enjoyed our interview and look forward to sharing the study results with you upon completion.