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Factors Shaping Public Perceptions of Market-based Activities Undertaken by Canadian Nonprofits

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Abstract: Charitable nonprofits are engaging at increasing rates in market-based activities. This study examined Canadian public perception of nonprofits' market-based activities. Latent variables for trust, financial accountability, transparency, direct and general familiarity, understanding of nonprofit roles in service delivery and advocacy, and orientation towards market-based activities were created using a secondary dataset of nationally representative Canadians (n = 3853). Results show that positive perceptions of market-based activities of nonprofits are influenced by familiarity of nonprofits, accepting their advocacy role, and perceiving them as being accountable. Those with stronger views of nonprofits as providers of direct service had unfavorable perceptions of the nonprofit's market-based activities. The findings have implications for nonprofit managers who engage in market-based activities and want to promote a positive orientation to these endeavors to engage consumers and investors.

Keywords: nonprofits, for-profit activities, market-based activities, public perceptions, accountability, familiarity

1 Introduction

The current welfare regime in Canada has been characterized by a shifting of responsibility for solutions to widespread social issues from the state to the market and nonprofit and voluntary sectors (Ascoli and Ranci 2002; Graham, Shier, and Delaney 2018; Shin 2015; Surender and Lewis 2004). The nonprofit sector consists of organized groups of citizens who address many societal issues through a variety of forms, including, but not limited to, nonprofit charitable organizations. In

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Canada, charitable nonprofits (from here on referred to as ‘nonprofits’ for ease) represent approximately half of all the nonprofit sector and are distinguished by having charitable status from the federal government. Charitable status allows these nonprofits to give tax receipts for donations.

Canada’s social welfare state has been traditionally defined by values of liberalism (similarly to other industrialized nations, such as the United States, Australia and the United Kingdom) (Esping-Andersen 1990). Within those values are embedded notions of individualism, the commodification of land, labor and capital, and various degrees of involvement of the government in the market, including redistributive efforts for social welfare provision (Harvey 2005). However, this social welfare state is a part of a broader social welfare regime that includes the for-profit market (which provides income through labour, health related benefits, and retirement investments) and civil society actors, such as nonprofits, which are directly responsible for the majority of direct social service delivery. All three sectors play a pivotal role in supporting the social welfare needs of the counties citizenry (Graham, Shier, and Delaney 2018).

However, over the past three decades, mounting social and economic pressures have resulted in the diminishing of traditional means of nonprofit support, such as state and private donor funding (Ali and Gull 2016; Singh et al. 2016). Concurrently, increased competition due to diminishing resources and the sector’s growth have forced nonprofits to seek new and alternative streams of revenue (Shin 2015). Nonprofits often respond to these pressures by engaging in activities that cross into the for-profit sector (Norris-Tirrell 2014; Stecker 2014) and blur the boundaries between what is and is not considered uniquely nonprofit work. Specifically, market-based activities (such as social procurement, social investment, and social enterprises) are often leveraged by nonprofits to deal with resource problems. Initial research shows that such activities are beneficial and strengthen the sector by promoting autonomy and innovation, improving the sustainability and management capacity, and enhancing missions (Stecker 2014; Turpin and Shier 2020). In 2017, approximately 36% of the income revenue in the nonprofit and voluntary sector in Canada came from engagement in market-based activities, such as through the sale of goods and services, membership fees, and investment income (Statistics Canada 2020). When compared to 10 years prior in 2007, 33% of the revenue in the sector came from engagement in market-based activities. While this increase might seem modest, the total dollar increases from 2007 to 2017 have risen approximately 61%; clearly demonstrating an upward trend to reliance on these market-based activities to sustain the efforts of nonprofit organizations.

While market-based activities have become a solution to resource sustainability for nonprofits in Canada, it is important to consider broader societal factors that may influence a nonprofit’s ability to engage in market-based activities. What

is the general perception among citizens when nonprofits engage in profit making activities? Are nonprofits held to different standards than businesses when they undertake market-based activities? Does it diminish the acceptance of and charitable support for nonprofits, which in turn might impact their survival? Public opinion shapes expectations (Becker 2018; van Slyke and Roch 2004), which in turn may negatively (or positively) impact the support for nonprofits (Aaker, Vohs, and Mogilner 2010), thus there is a critical need to understand what contributes to a favorable public perception of nonprofits undertaking market-based activities.

This article asks the question: what are public perceptions held towards market-based activities in the nonprofit sector? This article focuses on Canadian nonprofits and inspects what factors are likely to influence public attitudes (positive and negative) towards nonprofits' market-based activities. Extant research has identified specific salient aspects of public perceptions of nonprofits, and using this literature, this paper posits several hypotheses and empirically tests them using data from a nationally representative Canadian dataset. Findings have application for nonprofits engaging in market-based activities and who must communicate with the general public in a way to positively impact public sentiment toward their new ways of generating much needed resources. Furthermore, the findings have implications for public policy actors seeking to develop policies and procedures to support nonprofits to engage in market-based activities (which are common in Canada at federal, provincial and municipal levels of government ranging from national social innovation and social investment strategies, provincial frameworks to support social enterprise development, and local municipal partnerships to support equity, community economic development, and address issues of poverty).

2 Literature Review

2.1 Perceptions of Market-based Activities

Public perceptions regarding the activities of nonprofits have originated from a welfare-state model (that is consistent with other liberal welfare states, globally) which emerged in Canada after the second world war (Carson 2002). During this era, nonprofits were viewed as complimentary entities to larger-scale state-sponsored universal social care programs (Shin 2015), which typically provided the majority of human services through redistribution programs and benefitted from the legitimacy and funding given to them by government (DiMaggio and Powell 1983). However, following the economic recessions in the 1980s and 1990s we saw the retrenchment of many government funded programs through widespread

cutbacks, shifting the bulk of responsibilities to the nonprofits themselves (Ascoli and Ranci 2002; Shin 2015; Surender and Lewis 2004).

In response, nonprofits often sought to make up lost revenues through market-based activities, but the public sentiment regarding market-based activities of nonprofits remains conservative. For example, there remains an expectation held by the public that nonprofits should not behave like profit making businesses (Bano 2008; Gaskin 1999; Populus 2016). Supporting this view, Bhattacharjee, Dana, and Baron (2017) found participants in the United States largely believed profits were incompatible with positive social outcomes, and that profits could only emerge from harmful business practices and should not be used to promote social good. Eikenberry and Kluver (2004) also note that the marketization of the nonprofit sector will put at risk the sector's commitment to a social mission.

Public misconception about nonprofits has led to widespread detrimental assumptions, such as the belief that nonprofits should have little to no overhead costs (Carson 2002; Ford and Ihrke 2016), and that nonprofits are unable to generate a profit, partner with for-profit organizations, or compete with for-profits (Tolbert, Moore, and Wood 2010). On the other hand, a survey of Canadians by Lasby and Barr (2013) finds that the public do recognize the need for nonprofits to diversify their revenue sources, with nearly 90% showing support for nonprofits engaging in market-based activities as an additional source of revenue, and nearly two-thirds of respondents agreed that such revenue should be tax-free, provided the profits support the nonprofit's cause. However, here too, there were reservations about market-based activities when there was a risk of nonprofits losing money or being distracted from its social mission (Lasby and Barr 2013).

In this research we ask the question: what factors contribute to an individual's positive or negative orientation toward a nonprofit's market-based activities? The next section highlights the salient variables, such as trust, the perceived role of nonprofits, familiarity with nonprofits, transparency and accountability, and the related literatures, culminating with proposed hypotheses.

2.2 Trust

Trust in nonprofits is defined as “the belief that an organization/sector and its people will never take advantage of stakeholder vulnerabilities by being fair, reliable, competent, and ethical” (Bourassa and Stang 2016, p. 15). Although trust has been measured and perceived in a variety of ways, it often accounts as a major component of organizational survival (de Vries, Reis, and Moscato 2015). Trust is argued to give nonprofits a competitive advantage, especially when there is an asymmetric information problem between the consumer and producer (Hansmann

1986). When individuals trust nonprofits a priori based simply on its tax status, this trust may encompass the trust afforded to all its activities; in this case market-based activities. The nonprofit status provides a halo effect and thus one may posit that market-based activities undertaken by the nonprofit will also be trusted and garner positive reactions.

However not all nonprofits enjoy the same level of trust. In nonprofits where the asymmetric information problem is exacerbated there is a greater level of trust needed between the producer and consumer. For example, when the purchaser of the service is not the consumer of the service but purchases the services for a third-party in this case, there is a higher degree of asymmetrical information than if the purchaser is also the consumer of the services. The public is more likely to trust nonprofits when there is a higher degree of asymmetrical information as found among Canadian students (Handy et al. 2010).

Thus, the level of trust in nonprofits may not be homogenous across the sector, and as such the halo effect may not extend equally to all nonprofits and to their activities. On the other hand, if trust is associated with overall perceptions of function and role of nonprofits in Canada then this trust may extend to its market-based activities (Farwell, Shier, and Handy 2019).

Globally, trust in nonprofits has risen, with the general public trusting nonprofits similarly to businesses, but more than governments and the media (Edelman 2019). Other literature supports the notion that nonprofits are more trustworthy than the government and, in some cases, trusted over businesses (Farwell, Shier, and Handy 2019; Grønbjerg 2009; Handy et al. 2010; van Slyke and Roch 2004). For example, students in North Carolina perceived nonprofits to be more trustworthy, independent, courageous, and connected to the community when compared to for-profit social enterprises (Albrecht et al. 2018). Similarly, Lee, Bolton, and Winterich (2017) found that private social ventures due to their profit-seeking orientation received less public support than nonprofits.

Different types of trust are found to correspond to different levels of support for nonprofits. de Vries, Reis, and Moscato (2015) used a clustering technique to identify different groups of donors based on different types of trust, among which were “resource allocation critics”, “information-seeking financial sceptics”, and “non-questioning charity supporters”, with each group exhibiting differing levels of trust and different trust-related behavior. Such diversity in public trust suggests that the relation between trust in nonprofits and the perception of market-based activities needs investigation and may not be necessarily positively associated. Although trust has been perceived as an important component in the success of market-based activities engaged in by nonprofits (Searing 2014), positive orientation towards market-based activities cannot be assumed, and as a result our hypotheses remain open.

We examine trust and its relation to market-based activities, and we do it in two ways - an overall trust in nonprofits as well as a more generalized level of trust in nonprofit leadership, for example those who are at the helm of nonprofits or opinion leaders (Joseph and Winston 2005).

H_{1a}: Increased trust in nonprofits will be associated with an individual's orientation of nonprofits' market-based activities

H_{1b}: Increased trust in community/nonprofit leaders is associated with an individual's orientation of market-based activities

2.3 Role of Nonprofits in Society

In Canada and the United States, public opinions of nonprofits have remained positive, stable, and confident (Campos Inc. 2007; Lasby and Barr 2013; O'Neill 2009), and nonprofits are generally viewed as having an integral and important role in society (Gaskin 1999; Lasby and Barr 2013; Vázquez 2011). However, exactly how they carry out this role may be contested. Public opinion regarding the responsibility of nonprofits in pursuing their social missions often stems from views of how and whether organizations should advocate for their service users while providing programs that address social inequities (Shin 2015). Indeed, the public is often uncertain whether such related activities are even within the purview of nonprofits (Handy et al. 2010; McDougale 2014).

Conservative perceptions regarding the role of advocacy and services by nonprofits has been linked to the broad adoption of neo-liberal policies and approaches to civil society and new public governance (Arvidson, Johnsson, and Scaramuzzino 2017). Specifically, neoliberal practices, such as new public management and the move toward privatization in North America, has decreased the public visibility of nonprofits and the people they serve, leading to a narrower view of how they function in society (Hasenfeld and Garrow 2012). This has often led to limiting opinions and knowledge regarding nonprofit activities, including self-organizing events (Anzola, Barbrook-Johnson, and Cano 2017; Raisio et al. 2019), engagement in corporate social responsibility (CSR) initiatives (Arenas, Lozano, and Albareda 2009; Vock, van Dolen, and Kolk 2013), and nonprofit engagement in various networks and partnerships across sectors (Fernandez et al. 2016; Herlin 2015; Silverman 2009).

Despite differences in how nonprofits function, there is a definite trend characterized by a broadening of activities such as engagement in market-based activities. As a result, individuals with a broader understanding on the roles and

functions of nonprofits are more likely to support nonprofits' market-based activities. We thus hypothesize that a broader and more inclusive view of the role of nonprofits will lead to a positive orientation towards market-based activities undertaken by a nonprofit:

H₂: A broader understanding of the role of nonprofits in society will be associated with positive orientation of nonprofits' market-based activities

2.4 Familiarity

Familiarity of nonprofit organizations originates from a person's awareness and knowledge about the sector, as well as their experiences, such as direct involvement with nonprofits through donating and volunteering (Horne 2017). Both direct and indirect familiarity are often impacted by media coverage, but most nonprofits are rarely featured in popular media (Helmig, Spraul, and Tremp 2012), and the coverage, when it exists, often fails to connect nonprofits with tackling social issues (Greenberg and Walters 2004; Kensicki 2004). Instead, media coverage is typically centered on scandals, fundraising efforts, or casting nonprofits as providing a supporting role in social welfare (Erwin 2013; Hale 2007). Consequently, familiarity of nonprofits may be limited – which may hamper an individual to distinguish a nonprofit from a business or public sector organization. In a study by Handy et al. (2010), staff of many nonprofits were unable to identify their employer as having nonprofit status, while many students believe their nonprofit university was a for-profit organization. Similarly, McDougale (2014) found that in San Diego County, even those who were most likely to depend on nonprofits were the least likely to be aware of the sector.

Other research has identified individual- and community-level variables, such as a higher density of nonprofits in individuals' area of residence, to predict familiarity of the nonprofit sector, (McDougale and Lam 2014). They also noted that awareness was strongly related to a positive perception of nonprofit performance. In addition, nonprofit size has been associated with public engagement (Zhang 2019), and engagement, such as volunteering, increases positive perceptions of nonprofits (Mullenbach et al. 2019). However, there remains a lack of nonprofit familiarity among the general public (Handy et al. 2010), which may in turn have a mediating effect on overall feelings of trust, transparency, and accountability (Bourassa and Stang 2016). Drawing on these findings, we hypothesized that high general familiarity with the sector, and direct familiarity through engagement (as a donor or volunteer) with a nonprofit may lead to a positive orientation towards their market-based activities.

H_{3a}: Increased general familiarity of nonprofits will be associated with positive orientation of their market-based activities

H_{3b}: Donating to nonprofits will be associated with positive orientation of their market-based activities

H_{3c}: Volunteering with nonprofits will be associated with positive orientation of their market-based activities

2.5 Accountability and Transparency

Nonprofits in North America receive increased public scrutiny and repeated demands for transparency about operations and finances (Heller 2008). This public and institutional pressure can be understood as a general desire for nonprofits to remain accountable to all their stakeholders, including the public at large. “Accountability” is commonly defined as a responsibility to an outside entity, such as an external stakeholder (Edwards and Hulme 1996), and includes reporting on an organization’s finances, funding, and governance (Sloan 2009). While “transparency” is often conceptualized as an organization’s disclosure of program performance (Shatteman 2013), strategic direction is often conceptualized as an effort to link service activities to the overall mission (Bourassa and Stang 2016).

Negative media attention of nonprofit inefficiencies or scandals have led the public to become increasingly skeptical about the ability of nonprofits to manage their finances and commit to their social mission (Gibelman and Gelman 2004). In the United States, Red Cross and United Way were both involved in scandals, which led to a decrease in trust in nonprofits, resulting in a push towards increased accountability (Mead 2008) and a public skepticism about the management of resources (Crawford, Morgan, and Cordery 2016; Light 2008). Further afield, *The Charity Commission for England and Wales* found that trust and confidence in nonprofits dropped dramatically in the United Kingdom, in 2016 and 2018, due to scandals involving nonprofits (Charity Commission for England and Wales and Populus 2018). A few cases of corrupt nonprofits in Nicaragua and El Salvador negatively impacted the entire sector and led detailed questioning of the use of resources (Vázquez 2011).

Bekkers et al. (2016) note that accreditation of nonprofits (a key aspect of accountability and transparency) increases trust with the public, which is positively associated with increases in donation (Becker 2018; Slatten, Guidry, and Austin 2011), improved quality and consistency in programming (Riley, Bender,

and Lownik 2012), and increased public support (Feng, Neely, and Slatten 2016; Lee 2014). The demand for certification, regulation, adoption of voluntary guidelines, codes of ethics, etc., represent increased public pressure for accountability and transparency from nonprofits (Ito and Statten 2018). Furthermore, charity watchdogs have proliferated to ensure that nonprofits remain accountable and transparent (Cnaan et al. 2011). These study results might suggest that organizations that are more financially accountable and transparent will similarly have equivalent support (as for other sources of revenue) among the public for engagement in market-based activities, for which the funds tend to be generally unregulated or unrestricted. Therefore, we hypothesized that stronger perceptions of the level of accountability and transparency of nonprofits will similarly lead to a positive orientation of their market-based activities:

H_{4a}: Positive perceptions of nonprofits' accountability will be associated with positive orientation of their market-based activities

H_{4b}: Positive perception of nonprofits' transparency will be associated with positive orientation of their market-based activities

3 Methods

3.1 Data Collection

Data from this research were gathered from a secondary database collected by the Muttart Foundation, using a random sample of Canadians (Lasby and Barr 2013) residing in each of the 10 provinces ($n = 3853$). A survey questionnaire was developed for the study, focusing on trust in nonprofits and perceptions of accountability and transparency, as well as demographic factors and respondents' direct involvement with nonprofits. Respondents were selected using random digit dialing and interviewed over the phone. The only eligibility criteria were that the respondent speak English or French, and be 18 years of age or older. The sample was corrected using weights to arrive at a distribution representing a simple random sample of Canadian households. Provinces under-represented were weighted more and those over-represented were weighted less.

3.2 Measures

We developed several latent constructs using various survey questions included in the questionnaire developed by Muttart Foundation. These variables represent measures of trust in various institutions (such as community leaders and nonprofits), perceptions of financial accountability, familiarity, and transparency of nonprofits, and public perceptions of nonprofit roles with service delivery, advocacy, and for-profit activities.

The dependent variable assessed in this study was “a positive orientation towards market activities that are engaged in by charitable nonprofits”. This latent variable was developed using four statements related to a positive orientation toward market activities (i.e. “Charities should be able to earn money through any type of business activity they want, as long as the proceeds go to their cause”; “Running a business is a good way to raise money that charities aren’t able to get through donations and grants”; “When a nonprofit runs a business, a significant worry is that money could get lost on the business instead of being used to help Canadians” (reverse scored); and “When charities run businesses, it takes too much time away from their core cause” (reverse scored)). Answers were gathered on a five-point Likert-type scale that include “strongly agree”, “somewhat agree”, “no opinion”, “somewhat disagree”, and “strongly disagree”. The four items had an internal consistency of 0.51. While this is lower than what is satisfactory, and is a limitation of the study, it reflects the diverse response sets and the complex, and potentially contradictory nature of people’s perceptions of nonprofits’ market-based activities. For instance, while respondents might perceive that nonprofits running a business is useful to increase resources, they may remain skeptical or have worries about the consequences for service delivery and their core cause. This would certainly lead to inconsistency in responses and helps potentially explain the lower internal consistency coefficient for this variable. In an effort to gain greater response consistency, two latent constructs were developed with the first and second items listed above, and the third and fourth. However, this model did not have sufficient construct validity. In this case, we favored greater construct validity for model fit over that of response consistency across all four items. Furthermore, noting this, a greater scope of item coverage needs to be considered in future research about public perceptions of nonprofit engagement in for-profit activities. To assess the construct validity of this latent variable, a confirmatory factor analysis was conducted assessing fit indices, including Tucker-Lewis index, comparative fit index, and root mean square error of approximation. Results show strong construct validity ($\chi^2 = 0.229$, $df = 1$, $p = 0.6323$, TLI = 1.00, CFI = 1.000, RMSEA = 0.000) of this four-item measure (Kline 2011) of public perception towards market activities that are engaged in by nonprofits.

Independent variables utilized in this study included “trust in charitable nonprofits” and “trust in community leaders” (to test hypothesis 1a and b), “perceptions of the role of advocacy by charitable nonprofits” and “perceptions of the role of charitable nonprofits in providing services” (to test hypothesis 2), “general” and “direct” familiarity of nonprofits (to test hypothesis 3a, b, and c), “perceptions of accountability” of nonprofits (to test hypothesis 4a), and “perceptions of transparency” of nonprofits (to test hypothesis 4b). Demographic statistics were also collected on the study sample, including gender, age, relationship status, highest education attained, employment status, and household income level, and were used as control variables in this analysis.

The variable “trust in charitable nonprofits” represents the degree of self-reported trust of nonprofits reported by respondents. This latent variable was measured using 12 items gathered on a four-point Likert-type scale, which included response categories of “not at all”, “a little”, “some”, and “a lot”. Questions focused on respondents’ trust in charitable nonprofits (i.e. “Thinking about charities in general, would you say you trust them...”), and asked about trust of 11 specific types of charities, including environment, animals, health prevention and health research, human services, international development, children and children’s activities, education, the arts, hospitals, churches and places of worship, and other religious organizations. Internal consistency for this measure was 0.86, and a confirmatory factor analysis revealed sufficient construct validity ($\chi^2 = 0.472.630$, $df = 49$, $p = 0.0000$, $TLI = 0.959$, $CFI = 0.969$, $RMSEA = 0.047$).

As another indicator of generalized trust, a latent variable “perceptions of community leaders” was operationalized using seven items, including trust in a) people who are medical doctors; b) people who are lawyers; c) people who are religious leaders; d) people who are nurses; e) people who are journalists and reporters; f) people who are leaders of charities; and g) people who are union leaders. Cronbach’s alpha showed acceptable reliability (0.72), and results from a CFA ($\chi^2 = 145.303$, $df = 18$, $p = 0.0000$; $TLI = 0.956$; $CFI = 0.972$; $RMSEA = 0.043$) supported the construct validity of this measure.

To measure the extent of knowledge or perceptions of the role of nonprofits in society, two latent variables were constructed based on available questions in the survey. These included assessments of respondent perceptions about the role of nonprofits in advocacy related activities and their role in service provision. For perceptions of “role in advocacy”, a latent variable was created using seven items focused on the way nonprofits discuss and fulfill their social cause. Respondents were asked to answer statements by indicating how acceptable they believed each advocacy activity was on a four-point Likert-type scale (i.e. “For each of the following, please tell me if you think, in general, it is *very acceptable*, *somewhat acceptable*, *somewhat unacceptable*, or a *very unacceptable* thing for charities

to...”). A middle category was added to reflect neither disagreeing or agreeing in responses. Items included nonprofits that “Meet with government ministers or senior public servants as a way to speak out about their cause and try to get things changed”; “Organize letter-writing campaigns”; “Hold legal street protests or demonstrations”; “Place advertisements in the media”; “Block roadways, or other non-violent acts”; “Use research results to support a message”; and “Speak out on issues like the environment, poverty, or healthcare”. Reliability of this measure was 0.68, and a CFA demonstrated sufficient construct validity ($\chi^2 = 4017.710$, $df = 21$, $p = 0.0000$; TLI = 0.968; CFI = 0.982; RMSEA = 0.040) of the latent variable “role of advocacy” in nonprofits.

Similarly, the latent variable “role in service delivery” assessed respondents agreeableness to the societal role nonprofits play in reducing social inequities by providing services. Six items were used to measure this variable, and respondents were asked to record answers on the same Likert-scale used for the “role of advocacy” variable. Items included: “Charities should be expected to deliver programs and services the government stops funding”; “Charities generally improve our quality of life”; “Charities do a better job than government in meeting the needs of Canadians”; “Charities are important to Canadians”; “Charities understand the needs of Canadians better than government does”; and “Charities are very good at helping people.” The internal consistency reliable estimate was 0.67, and the results from a CFA ($\chi^2 = 4631.995$, $df = 15$, $p = 0.0000$; TLI = 0.986; CFI = 0.971; RMSEA = 0.048) showed sufficient construct validity for public perceptions of nonprofit’s role in service delivery.

The latent variable “perceptions of accountability” was constructed using five items assessing general perceptions of financial accountability in nonprofits. Data were collected on a four-point Likert-type scale with response categories of “strongly disagree”, “somewhat disagree”, “somewhat agree”, and “strongly agree”. A middle category was added to reflect those respondents that neither agree or disagree. Items included “More attention should be paid to the way charities spend their money”; “More attention should be paid to the amount of money that charities spend on program activities”; “More attention should be paid to the way charities should raise money”; “More attention should be paid to the amount of money charities spend on hiring professionals to do their fundraising”; and “Charities should be required to disclose how donors’ contributions are spent.” Cronbach’s alpha for “perceptions of accountability” was 0.73, and a CFA revealed sufficient construct validity ($\chi^2 = 21.591$, $df = 5$, $p = 0.0006$; TLI = 0.991; CFI = 0.996; RMSEA = 0.029).

For the variable “perceptions of transparency”, a latent construct was created using four items which were measured on a four-point Likert-type scale with response categories of “poor”, “fair”, “good”, or “excellent”. A middle response

category was added to reflect respondents that had no opinion. Items included how well nonprofits provided information about (1) the programs and services they deliver, (2) how they use donations, (3) their fundraising costs, and (4) the impact of their work on Canadians. Cronbach's alpha for the variable "transparency" was 0.77, and the CFA demonstrated sufficient construct validity ($\chi^2 = 11.750$, $df = 1$, $p = 0.0006$; TLI = 0.984; CFI = 0.997; RMSEA = 0.053).

The variable "general familiarity of the work of charitable nonprofits" consisted of five items. One item included a general statement assessing the respondent's familiarity of the work of nonprofits (i.e. "Thinking about what you know about charities in general, the work that they do, and the role they play, would you say you are very familiar, somewhat familiar, not very familiar, or not at all familiar?"). The other four items assessed specific actions representing the respondent's degree of familiarity, and were answered on a four-point Likert-type scale that included strongly disagree, somewhat disagree, somewhat agree, and strongly agree. A middle category was added in the analysis to reflect those respondents that neither agreed or disagreed. These items were: "I usually pay a lot of attention to media stories about charities"; "I know less about charities than do my friends and family members" (reverse scored); "Over the years, I have had many dealings with charities"; and "If a friend or family member asked me how to choose a charity to support, I would be able to give them useful advice." Cronbach's alpha for "general familiarity of the work of charities" was 0.70, and the results from the CFA demonstrated sufficient construct validity ($\chi^2 = 22.437$, $df = 5$, $p = 0.0004$; TLI = 0.989; CFI = 0.994; RMSEA = 0.030). "Direct familiarity" was operationalized using two single-item measures: volunteering and donating behaviors. Respondents were asked whether or not they had volunteered time or donated money to charities in the 12 months preceding the survey, and were categorized as either a "1" or a "0", respectively.

Finally, demographic statistics were collected on respondents, including gender, age, relationship status, highest level of education attained, employment status, and household income. These variables were included as controls in the final analysis. Response categories are provided in the descriptive analysis section below.

3.3 Analysis

We used multiple regression with maximum likelihood estimation techniques to analyze the data. Measures were included in a simultaneous structural analysis of the latent variables created for this analysis (Kline 2011), and analyzed using the MPlus statistical software package (Muthén and Muthén 1998–2012).

4 Results

4.1 Descriptive Statistics

Demographic information of the sample (Table 1) shows that the majority of respondents (61.38%) were female. While respondents age 55 or over represented more than half of the sample, more than 42% were between the ages 25 and 54, indicating good variability across different age cohorts. Data on relationship status showed nearly two thirds of respondents had an intimate partner (65.19% married or living in a common law relationship), and two thirds of the sample had a post-secondary education (67.19%). A high percentage (46.06%) of the sample was

Table 1: Demographic statistics of the study sample.

Variable	Number (%)
Gender	
Male	1486 (38.62)
Female	2362 (61.38)
Age	
18–24	166 (4.31)
25–34	322 (8.36)
35–44	514 (13.34)
45–54	772 (20.04)
55–64	977 (25.36)
65 and older	1012 (28.60)
Relationship status	
Single	1327 (34.81)
Has an intimate partner	2485 (65.19)
Highest education achieved	
Less than high school	264 (6.91)
High school	989 (25.90)
Post-secondary	2566 (67.19)
Employment status	
Unemployed	1767 (46.06)
Part-time employed	438 (11.42)
Full-time employed	1631 (42.52)
Household income	
Less than \$20,000	278 (8.86)
\$20,000 to \$49,999	813 (25.91)
\$50,000 to \$74,999	713 (22.72)
\$75,000 to \$99,999	529 (16.86)
\$100,000 to \$149,999	504 (16.06)
More than \$150,000	301 (9.59)

unemployed, which may be representative of an older and largely retired sample. Data on household income showed high variability across income brackets, with the highest representation at the \$20,000–\$74,999 groups.

Descriptive statistics for each of the variables used in the analysis are seen in Table 2, along with those for each of the items included for the dependent variable. General trust in nonprofits was moderate; in a response range of 0–3, the mean response was 1.88. Similar results are reported for trust in community leaders. Perceptions of the “role in advocacy” and “role in services” of nonprofits were both above mid-range, indicating a moderate-to-high level of agreeableness in the sample about how nonprofits advocate for their social mission and operationalize their mission in services. Similar results are shown for general familiarity of nonprofits, with a mean response of 2.62 within a response range of 0–4, indicating a moderately high amount of familiarity among respondents. A vast majority (86.71%) of respondents had donated to a nonprofit in the previous 12 months, however, the majority of respondents had not volunteered (61.33%). The mean score for “perceptions of accountability” was 3.28 with a response range of 0–4, indicating that the sample largely believes nonprofits should be more financially accountable. Similarly, “perceptions of transparency”, a related variable, scored relatively low at 1.52 with a response range of 0–4, suggesting that respondents felt that nonprofits needed to be more transparent. For “positive orientation toward market activities”, respondents reported a mean score of 2.37 within a response range of 0–4, indicating a moderately positive perception within the sample. At the item level, the results show that Canadians had generally positive perceptions of nonprofits engaging in market-based activities; however, this positive perception is lessened by concerns related to the use of for-profit resources and the amount of time taken away from more direct charitable activities. These variations similarly reflect comments made previously about the measurement of this construct and the varying perspectives contributing to positive perspectives of nonprofits engaging in market-based activities.

4.2 Multiple Regression Analysis

Results from the multiple regression analysis are summarized in Table 3. Trust was measured using general “trust in charitable nonprofits”, and “perceptions of community leaders”. Both variables were found to not be significantly associated with a positive orientation toward market-based activities of nonprofits in the sample. However, results testing “role of advocacy” and “role of service delivery” showed significant associations. Specifically, a broader perception of the “role of advocacy” in nonprofits was found to be significantly associated with a positive orientation

Table 2: Descriptive statistics of independent variables.

Variable	Mean	Standard deviation	Response range	Number (%)
Trust in nonprofits	1.88	0.54	0–3	–
Perceptions of community leaders	1.84	0.45	0–3	–
Role of advocacy in nonprofits	2.83	0.66	0–4	–
Role of service delivery	2.84	0.67	0–4	–
General familiarity	2.62	0.82	0–4	–
Perceptions of accountability	3.28	0.69	0–4	–
Perceptions of transparency	1.52	0.82	0–4	–
Direct familiarity				
Donated				
No	–	–	0–1	512 (13.29)
Yes	–	–	0–1	3341 (86.71)
Volunteered				
No	–	–	0–1	2363 (61.33)
Yes	–	–	0–1	1490 (38.67)
Positive orientation toward market activities (total)	2.37	0.75	0–4	–
<i>Items</i>				
Charities should be able to earn money through any type of business activity they want, as long as the proceeds go to their cause	3.03	1.27	0–4	–
Running a business is a good way to raise money that charities aren't able to get through donations and grants	3.05	1.01	0–4	–
When a nonprofit runs a business, a significant worry is that money could get lost on the business instead of being used to help Canadians (reverse scored)	1.31	1.17	0–4	–
When charities run businesses, it takes too much time away from their core cause (reverse scored)	2.08	1.25	0–4	–

toward market-based activities at the $p < 0.001$ level. Conversely, the opposite relationship was observed for “role of service delivery”, in that respondents with a more positive view of the roles of nonprofits as being providers of services tended to have a less positive orientation toward their involvement in market-based activities. This significant relationship was measured at the $p < 0.05$ level.

Table 3: Results from multiple regression analysis ($n = 3853$).

Predictors entered	Positive orientation toward market-based activities	
	β	B
<i>Demographic characteristics</i>		
Gender	-0.003	-0.001
Age	0.027	0.003
Relationship status	0.009	0.004
Highest education attained	0.044*	0.016*
Employment status	0.021	0.005
Household income level	0.009	0.001
<i>Predictor variables</i>		
Trust in nonprofits	0.007	0.003
Perceptions of community leaders	0.001	0.001
Role of advocacy in nonprofits	0.238***	0.110***
Role of service delivery	-0.880*	-0.980*
General familiarity	0.081**	0.033**
Perceptions of accountability	-0.232***	-0.084***
Perceptions of transparency	0.010	0.003
<i>Direct familiarity</i>		
Donated	0.023	0.023
Volunteered	-0.001	-0.001
R^2		0.131

B , unstandardized coefficients; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

We hypothesized that more positive perceptions of the level of accountability and transparency of nonprofits would be associated with a higher positive orientation of market-based activities. While no significant relationship was observed between transparency and positive orientation toward market-based activities, it was found that higher perceptions of the need for nonprofits to be more financially accountable had a significant negative effect on a positive orientation toward market-based activities at the $p < 0.001$ level, providing support for the hypothesis that favorable perceptions of the level of accountability would result in more favorable perceptions of a nonprofit's engagement in market based activities. Finally, three variables were used to test relationships between familiarity of nonprofits and positive orientation toward market-based activities: "general familiarity" and "direct familiarity", which consisted of "donated" and "volunteered". It was found that a general familiarity with the work and role of nonprofits was significantly positively associated with a positive orientation toward their market-based activities ($p \leq 0.01$), but donating and volunteering did not. A summary of hypotheses and results are summarized in Table 4.

Table 4: Summary of hypotheses and results.

Hypothesis	Results
H _{1a} : Increased trust in nonprofits will be associated with an individual's orientation of nonprofits' market-based activities	Not supported
H _{1b} : Increased trust in community/nonprofit leaders is associated with an individual's orientation of market-based activities	Not supported
H ₂ : A broader understanding of the role of nonprofits in society will be associated with positive orientation of nonprofits' market-based activities	Supported
H _{3a} : Increased general familiarity of nonprofits will be associated with positive orientation of their market-based activities	Supported
H _{3b} : Donating to nonprofits will be associated with positive orientation of their market-based activities	Not supported
H _{3c} : Volunteering with nonprofits will be associated with positive orientation of their market-based activities	Not supported
H _{4a} : Positive perceptions of nonprofits' accountability will be associated with positive orientation of their market-based activities	Supported
H _{4b} : Positive perception of nonprofits' transparency will be associated with positive orientation of their market-based activities	Not supported

Demographic variables were included in the analysis to control for various confounding effects, and to test for relationships with the dependent variable. One demographic variable was found to share a significant positive relationship to a positive orientation toward market-based activities: highest education attained. In other words, respondents with a higher education were significantly more likely to have a positive orientation toward market-based activities. This relationship was measured at the $p < 0.01$ level.

5 Discussion and Conclusion

This study sought to explore aspects of public perceptions of nonprofits that contribute to a positive orientation toward market-based activities by nonprofits. Specific salient aspects of public perceptions were targeted and measured for this study, including trust, perceptions of the roles of nonprofits in society, perceptions of accountability and transparency, and general and direct familiarity, including previous experience donating and volunteering to nonprofits. Using these predictors, we were able to test for significant relationships with a positive orientation toward market-based activities in nonprofits. Further, instead of relying on generalized measures, this study provided more nuanced insight of public perceptions toward market-based activities by nonprofits, by utilizing more specified

variables in the equation. For example, “general trust” was also measured in the variable “perceptions of community leaders”, following research that has identified it as an important aspect of public perceptions of trust (Lambright, Mischen, and Laramée 2010; Park, Mosley, and Grogan 2018).

Findings from this study suggest that having a broader perspective on the role of nonprofits in society has a positive effect on perceptions of nonprofit engagement in market-based activities, at least in the case where the public perceives the role of nonprofits in advocacy related efforts. This relationship makes logical sense, and is supported by extant literature (Arenas, Lozano, and Albareda 2009; Kim et al. 2018) showing that third-party perceptions of nonprofit activities, including the extent to which they can engage in undertakings within and beyond the sector, significantly contributes to the nature of market-based ventures of nonprofits. Respondents from this study largely agreed that nonprofits should undertake a variety of methods to advocate for whom they serve, and that their role in providing services in Canada reaches beyond the government for the purpose of correcting unaddressed social inequities. Respondents that identified with the advocacy related role of nonprofits resulted in more favorable perspectives on their engagement in market-based activities. However, the results also show that having more positive perceptions of the service delivery function of nonprofits to meet public needs resulted in a significant negative effect on public perceptions of nonprofit engagement in market-based activities. While these results somewhat support the hypothesis that having a broader perspective of the role of nonprofits in society (at least in relation to their advocacy function) would lead to more positive perceptions of the market-based activities, they also highlight the complexity of public perceptions on the issue, especially for those that recognize the fundamental role of nonprofits as service providers. These significant relationships are perhaps indicative of a Canadian public that is orienting towards alternative processes to human service delivery, such as social enterprise or social financing strategies, but at the same time are still impacted by a general welfare state mentality that expects government to provide all resources to support service efforts. Emphasis on the scope of different roles of nonprofits within a new public governance framework is a relatively new trend in Canada, and while some research has focused on perceptions of practitioners (Mazzei and Roy 2017; Zhu et al. 2014) and service users (Hartley 2017), few studies have targeted public perceptions of market-based activities engaged in by nonprofits (Albrecht et al. 2018), with virtually none occurring within a Canadian context. Suggesting that more effort needs to be made in a Canadian context specifically to inform and influence public perceptions of the divergent roles across government, for-profit, and nonprofit and voluntary sectors.

Contrary to our predictions, trust, did not significantly predict a positive orientation to market-based activities. This outcome was surprising as trust has been identified as an important contributor to nonprofit organizing and activities (Farwell, Shier, and Handy 2019). However, as indicated above, Canadians already seem to hold a moderate-to-high positive orientation toward market-based activities engaged in by nonprofits. This nonsignificant relationship could be explained by a generally open view, and perhaps even normalization, of market-based activities in the nonprofit sector since government devolvement, and hence trust was not an explanatory factor. In other words, respondents expect nonprofits to engage in market-based activities as part of their normal functioning, and this does not change according to their trust in nonprofits or their community leaders. A second explanation for this finding (not mutually exclusive to the first) is a low variability in responses, as shown in descriptive statistics for “trust in charitable nonprofits” ($M = 1.88$, $SD = 0.54$) and “perceptions of community leaders” ($M = 1.84$, $SD = 0.45$). A low variability may have attenuated the relationship between trust and the dependent variable.

General and direct familiarity were also measured as predictors of a positive orientation toward market-based activities engaged in by nonprofits. Direct familiarity was measured using two single-item variables (i.e. whether or not the respondent had donated or volunteered with a nonprofit in the previous 12 months). The variable “general familiarity” was a significant predictor, while donating and volunteering were not. “General familiarity” measured general knowledge regarding the work of nonprofits in Canada, and can be perceived as a precursor to supporting the involvement of nonprofits in market-based activities by shaping the institutional logics which promote positive perceptions of such activities (Cooney and Shanks 2010; Fitzgerald and Shepherd 2018; McDougale and Lam 2014). Given this link, it is unsurprising that this relationship was found also in this study; a broader knowledge of the nonprofit sector leads to a positive orientation of market-based activities within this context.

Surprisingly, engagement with nonprofits either through donating or volunteering had no association with the support for a nonprofit’s market-based activity. This finding might suggest that such engagement does not impact how an individual perceives the nonprofit market activity, or it might suggest that further research is needed to disentangle the results of the type of nonprofits individuals engage with. In the latter case, it is reasonable to expect that someone volunteering in direct human services may find it strange that nonprofits engage in market-based activities, while engaging with universities or museums may lead the individual to see market-based activities as acceptable.

Indeed, much of the research on the nonprofit sector might benefit by not treating the nonprofit sector as a homogenous sector as we and others have done.

Recognizing the sub-sectors may provide better insights, which is often not undertaken due to the aggregate nature of data available. Our findings on the public perception of market-based activities of nonprofits highlights this issue. For example, public perception of market-based activities may be associated positively with people engaging in some nonprofits and negative for other types of nonprofits. Thus, our finding that in the aggregate, “direct familiarity” is not a significant predictor of this outcome may be a result of treating the nonprofit sector as a homogenous sector. Alternately, many respondents may have experienced volunteering for and donating to nonprofits outside of the 12-month period indicated in the survey question, hence not reported as having direct familiarity.

Perceptions of accountability and transparency were tested as predictors of a positive orientation toward market-based activities engaged in by nonprofits, but only accountability was found to have a significant relationship. The variable “perceptions of accountability” was measured using questions that primarily focused on the fiscal responsibilities of nonprofits and spending habits, while “transparency” centered on duty to report financials to the public, but also asked questions regarding disclosure of service delivery and impact. Findings reveal that Canadians are much more concerned about the financial bottom line of nonprofits, and that respondents with the most concern had less favorable perceptions of nonprofit market-based activities. This finding is aligned with the hypothesis, which predicted that having more favorable opinions about nonprofit accountability would lead to more positive orientations about their engagement in market-based activities.

These findings may reflect dominant discourse fueled by new public management (Verbeeten and Spekle 2015), which emphasizes the financial accountability of nonprofits (Mitchell 2017; Moulton and Eckerd 2012; Suykens, De Rynck, and Verschueren 2019). The fact that respondents so valued the role of accountability echoes broader calls for liability in service providers that spend public tax revenue to achieve social outcomes (Becker 2018; Reheul, Van Caneghem, and Verbruggen 2014; Valentinov 2011). Other research has explained that financial objectives are often preferred over related measures of organizational efficacy because they offer a more straightforward measure (Becker 2018; Tacon, Walters, and Cornforth 2017), as opposed to metrics that utilize complicated procedures to assess the social impact of programs. Such literature contextualizes the responses in this sample and provides some possible explanations of findings that may be at odds.

Finally, analysis on demographic variables of study respondents revealed one significant predictor of a positive orientation toward market-based activities engaged in by nonprofits: highest education attained. Respondents with a higher education were more likely to have a positive orientation, but no significant relationships were found between any other demographic variables, including

gender, age, or household income level. Scant research seeks to test education with public perceptions and behavior related to the nonprofit sector, and any related findings are confounding at best. For example, an early study by Gittell and Tebaldi (2006) found that level of education had no effect on donating behavior in a US sample, while a more recent study on contributions to nursing homes by Zhang (2019) showed respondents with a higher level of education donated less at a statistically significant rate. However, this study showed that donating had no relationship to perceptions of market-based activities engaged in by nonprofits. These findings are contradictory and require further testing to obtain a fulsome understanding of the purported relationship between education and perceptions of the nonprofit sector.

This study is not without limitations. Firstly, the dataset itself indicated overrepresentation of some groups, namely women and older adults. This is likely explained by the recruitment methods (random digit dialing during daytime hours). This may limit generalizability to other groups with less representation, such as men and younger adults. However, the sample does represent a potential group of consumers and investors that might be a target for the for-profit activities of nonprofits. More fulsome, representative samples are needed in future research.

Some issues with measuring latent factors were also encountered, which is a common challenge when utilizing secondary datasets. For example, the dependent variable (positive orientation towards market-based activities) was found to have low reliability, and two independent variables (role of nonprofits in advocacy and services) had reliability scores just below the acceptable cutoff. All variables were kept in the final analysis because of their theoretical importance; however, questions regarding the accuracy of these latent factors are warranted. It is worth noting that all variables showed good to excellent construct validity, as demonstrated in the confirmatory factor analyses. A final concern regarding measurement may be applied to the latent factor “direct familiarity”, which lacked a fulsome account of the nuanced nature of this concept, especially in relation to market-based activities undertaken by nonprofits where two other categories of direct familiarity emerge: consumer and investor. Consequently, the role of direct familiarity in contributing to orientations toward market-based activities engaged in by nonprofits is likely to be conservatively estimated. Research such as this suggests the need to extend our understanding of involvement with the sector beyond donating and volunteering, to include market-based roles played by citizens through purchasing (as consumers) and investing in programmatic and for-profit activities. A similar critique may be applied to the variable “accountability”, which was primarily defined and measured using items pertaining to organizational finances. The concept of accountability has been applied to other domains that are not represented in this measure; for instance, accountability of senior

management in decision making, accountability of social impact of programs, or accountability of service delivery. Future research should consider the broad ways in which these concepts are applied, and seek to reflect it in developing more encompassing measures.

Despite these limitations, the findings from this study begin to provide a context for better understanding the factors that contribute to positive perceptions of market-based activities by nonprofits. The for-profit market creates opportunities to generate revenue that can be used to support organizational social missions and respond to persistent and emergent social market failures created by the government and the market on their own (Turpin and Shier 2020). The general public represent important roles as consumers and investors in this emerging social economy. The salient factors identified in this study can be used when considering how Canadians view the nonprofit sector, and establish robust links between specific aspects of public perception and a favorable orientation toward the sector-spanning behaviors of nonprofit organizations. This might include addressing issues related to financial accountability, public awareness on the broad roles of the sector in meeting the needs of the population, and efforts that increase familiarity of organizations.

Furthermore, the study has implications for public policy discourse and development within the Canadian context. Within the last five years public policy related frameworks have begun to emerge at all levels of government in Canada. These include provincial policy frameworks aimed at supporting profit generating social enterprise development among non-profits, a federal government strategy to support social innovation and social investment within the nonprofit and voluntary sector, and local municipal partnerships with foundations and local social investment firms to scale up market-based activity with nonprofit organizations.

While these initiatives remain at a framework level, it is anticipated that these social investment and hybrid for-profit/nonprofit firms will continue to further develop within the Canadian social welfare landscape as governments continue to support investment in the sector this way. As the impetus for market engagement of nonprofits increases (not only from the perspective of nonprofits, but also governments in Canada) greater engagement with the public is going to be needed – since these individuals are consumers and investors in this model of social welfare development. The results from this study highlight important areas of administration and support for nonprofits that are needed through targeted public policy efforts or strategies. This might include public awareness efforts and also a clearer delineation between the government and nonprofit sectors in Canada. This would require future policy directions at every level of government that clearly documents and outlines the roles and responsibilities of each sector within the Canadian social economy.

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