Spring 5-2017

When the Ultimate Goal is Running Yourself Out of Business: The Extent to which For-Profit Strategic Management Tools Apply to the Nonprofit Sector

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ABSTRACT

Competitive advantage is important to any entity committed to success in its respective space. However, competitive advantage – and competition in general – becomes a complex concept when applied to a context like the nonprofit sector so often marked by cooperation and collaboration. This research explores the gap in availability of applicable strategic management tools, like competitive advantage frameworks, between the for-profit and nonprofit realms. This research draws on 20 interviews conducted with nonprofit executives around the United States and compares the findings with literature currently available about the nonprofit context and competitive advantage. A framework of nonprofit competitive advantage was developed as a result of this research, based on the four main constructs of identity, strategy, competition, and finances. This paper discusses the potential implications of these four constructs on the ability of a nonprofit organization to successfully achieve its mission and develop a competitive advantage in the nonprofit sector.

EXECUTIVE SUMMARY

Entities interested in success must incorporate competitive advantage to an extent into their operations, regardless of context. Sports teams, corporations, and even the military understand the importance of competitive advantage within their respective spaces in order to foster long-term and sustainable success. This is equally true in the nonprofit sector.

Unfortunately, there are significant challenges that arise with an application of competitive advantage in the nonprofit sector. First, it is difficult to conceptualize a concept like competitive advantage so often thought of as out-performing competitors in the nonprofit realm that is typically very collaborative. It seems counter-intuitive to try to develop a way to be better than the same organizations with which nonprofits work cooperatively to solve greater community issues. Second, there is a large knowledge gap and lack of dissemination of grounded best practice theory in the nonprofit sector. Contrarily, the for-profit context is fully saturated with opinions and frameworks on competitive advantage. When nonprofit organizations seek out strategic management tools and inevitably confront this gap, many will often turn to for-profit tools to apply to their organizations. The main issue here is that the nonprofit sector is fundamentally different than the for-profit sector: the regulations, ultimate goals, and operational methods are vastly distinct in the two contexts, so applying for-profit strategic management tools to the nonprofit sector is often messy in practice.

This paper seeks to reduce the need for process of elimination in strategic management of the nonprofit sector, especially development of competitive advantage. Instead of nonprofit organizations needing to apply for-profit tools, this research develops a framework of nonprofit competitive advantage that is more suitable to their quest to maximize organizational potential.

In this research, 20 interviews with nonprofit executives in Florida, Maryland, Massachusetts, New Jersey, New York, Oregon, and Virginia were conducted. The interviews were based on the four constructs of this research, derived from a literature review of current information in the academic community on the nonprofit context and competitive advantage: identity, strategy, competition, and finances. Due to the various types of organizations, missions, and regulations, qualitative and explorative research was selected.

The findings of this research indicated that the mission of nonprofit organizations is the fundamental component of success. The mission is threaded throughout every level of the typical nonprofit organization and drives decision-making, both operational and strategic. It additionally provides a basis of performance evaluation for the organization in general. Considering the emphasis on mission, usually overwhelmingly more humanistic than that of the typical for-profit entity, nonprofit success looks vastly different than that of a for-profit. In addition, distinguishing factors within the identity, strategy, competition, and finances of nonprofits from the for-profit realm support the need for targeted strategic management tools for the nonprofit sector specifically. In order to start bridging the gap, this research creates a framework of nonprofit competitive advantage that indicates the importance of the four constructs of identity, strategy, competition, and finances as decision-points critical to a nonprofit organization's ability to achieve its mission.

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1.0 INTRODUCTION

Competitive advantage has been of interest in the business realm since before the 1980's and became especially important after the publishing of Michael Porter's Theory of Competitive Advantage in 1985. Often business is focused on winning: winning a market, winning an industry, winning a time period over competitors. The for-profit realm is extremely saturated with writings on competitive advantage, while discussion of the topic is largely lacking in the nonprofit realm (Rojas, 2000). In the wake of a lack of sufficient information regarding theories and constructs of competitive advantage specific to nonprofits, many organizations attempt to apply for-profit frameworks despite the fact that "the nonprofit sector is not exactly like the for-profit and thus the diffusion of ideas across the sectors does not always proceed smoothly" (Oster, 1995). The gap between the fundamental regulations, intentions, and methods of for-profit and nonprofit entities lends to difficulty applying the same frameworks to cultivate success.

1.1 The Structural Gap: Rules of For-Profit Versus Nonprofit

Often, competitive advantage theory in the for-profit realm revolves around an ability to bring in more profit than competitors in an industry (Grant, 2013). This definition, one of the simplest versions within the literature available on competitive advantage, cannot easily be applied to a sector explicitly labeled as *not-for-profit* (Moore, 2000). The issue that arises with a thorough look into competitive advantage is that its applicability to the nonprofit sector is limited at best (Oster, 1995). The frameworks and systems of measurement of influence are so commonly used in tandem with for-profit jargon and concepts that it becomes difficult to apply the exact same concepts to nonprofits (Kong, 2007). In essence, this makes sense: the same things that develop and qualify competitive advantage in the for-profit sector with fundamentally different purposes, operating methods, regulations, and financials are likely not suitable in the vastly different nonprofit sector (Sandler, 1998).

There is also a considerable drop off in research when it comes to creating competitive advantage in the nonprofit sector (Grant, 2013). Considering the complexities of trying to out-perform the same group of organizations a nonprofit might work cooperatively with in order to achieve community betterment, this also makes sense (Brandenburger & Nalebuff, 1996). Through the literature available and the interviews conducted with nonprofit executives, this paper will develop a framework to help understand competitive advantage specifically in the nonprofit context.

1.2 Summary of Findings

In order to bridge the gap of information availability and depth in nonprofit competitive advantage, 20 interviews were conducted with nonprofit executives in the states of New York, New Jersey, Maryland, and Florida, among others. The interviews revealed information within the four constructs of the research: identity, strategy, competition, and finances.

Responses indicated that mission is the most fundamental aspect of a nonprofit organization, driving every decision made. These mission statements are driven by the values of the organization, which differ depending on the type of nonprofit at hand, but are always contingent on a higher purpose beyond revenue.

Additionally, executives indicated that strategy must encompass a level of flexibility: a one-size-fits-all model is not apt in the business environment of a nonprofit organization. Strategy must include development of connection in the human resources department, conservative and intentional marketing campaigns, and an ability to adjust with growth in size of the organization. Responses largely indicated that organizations seek to position themselves differently than other organizations in their contexts because it provides the opportunity to attract more funding and also create space for complementary cooperation between organizations. Nonprofits are similar to for-profits in that they both seek to develop a unique position in the constituents' eyes; however nonprofits do so in order to develop a holistic solution to community issues where for-profits do so in order to achieve favorable market positioning and corresponding profits.

On that note, competition was approached with a starkly different attitude than that of the for-profit context. The vast majority of respondents indicated that competition certainly exists on the funding side, but not in an aggressive manner. Contrastingly, on the service side, competition is rarely felt because the goal is typically to serve an overall community issue to the best collective ability of all the organizations. There is much more camaraderie and partnership than there is competition felt, according to the interviews of this research.

Finally, organizations' approach to finances are by nature different from the for-profit context. Most respondents indicated that a nonprofit simply seeks to breakeven and maintain extremely lean margins. Interestingly, there was a trend in emphasis on both sustainability and entrepreneurial action in the organizations interviewed. Many emphasized the need to be creative with development of new funding streams in order to foster long-term success.

In comparing the findings of this research to the existing literature in both the nonprofit and for-profit strategy contexts, the fundamental differences in structure, regulation, and goals of nonprofits versus for-profit are undeniable. There is an extreme mission-centric orientation in the nonprofit context that drives cooperation between organizations and innovation in its own way, while for-profit focus remains on the bottom-line. The responses from the 20 interviews in tandem with the research currently available in the academic community allowed for the development of a framework of nonprofit competitive advantage shown in the results section. The following chapters will include a literature review of the information on competitive advantage in both for-profit and nonprofit contexts, the methodology used for research, the findings from interviews, and finally results and conclusions.

2.0 LITERATURE REVIEW

The following sections include a literature review of the research currently available in the academic community regarding the nonprofit sector and competitive advantage in both for-profit and nonprofit entities. Section 2.1 begins with a discussion of the diversity within the nonprofit sector, featuring different types nonprofit entities ranging from hybrid entities similar to for-profit companies to purely nonprofit organizations. Because the purpose of this paper is to display the gap between for-profit and nonprofit sectors and the difficulty of applying typical strategic management tools like competitive advantage frameworks, section 2.2 begins a discussion of competitive advantage. The importance, wide-ranging applicability, and various definitions of competitive advantage in both the for-profit and nonprofit context are included to help reveal the scope of the concept across sector lines. After a review of the concept within both for-profit and nonprofit contexts, a description of the four constructs and how they were selected for this research is included to outline the remainder of the paper.

2.1 The Nonprofit Sector

The nonprofit sector includes a broad range of organizational types, heavily focused on a sense of mission rather than profitability (Oster, 1995, Moore, 2000). These organizations seek to address critical issues in communities at a more basic level of human need than the arguably luxurious and advanced product or service offerings of the for-profit sector. Types of entities in this sector range from ones utilizing corporate philanthropy to exclusively nonprofit organizations. This section describes a continuum of types of entities that could fit within the nonprofit sector: a comprehensive look at the literature available reveals variances in approach to nonprofit work from very similar to for-profit to fully nonprofit oriented.

2.1.1 Corporate Philanthropy

For for-profit entities interested in involvement in the nonprofit context without having to succumb to the same rules and regulations, corporate philanthropy is an option. Corporate philanthropy is defined as "[c]haritable contributions by companies," which the authors argue "can often be the most cost-effective way for a company to improve its competitive context, enabling companies to leverage the efforts and infrastructure of nonprofits and other institutions" (Porter & Kramer, 2002). For-profit companies do not have the same public relations benefits that nonprofits sometimes reap by being an entity strictly for the public good (Porter & Kramer, 2002). Therefore, by giving to a nonprofit organization, for-profit companies have the opportunity to improve their public image while retaining a profit-oriented, as opposed to mission-oriented, purpose (Wang & Qian, 2011).

2.1.2 Social Entrepreneurship

Along the continuum of nonprofit entities, social entrepreneurship falls into a hybrid category, possessing characteristics of both for-profit and nonprofit entities. There are three typical components of social entrepreneurship:

> "(1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large" (Martin & Osberg, 2007).

Social entrepreneurship finds its roots in a social issue or greater community issue, much like a nonprofit organization's initial gap analysis between need and resources (Oster, 1995). However, social entrepreneurs develop a business concept and business plan to address this gap, where a nonprofit organization develops a mission statement to organize around it (Martin & Osberg, 2007). Social entrepreneurship incorporates elements of for-profit and nonprofit entities.

2.1.3 Thrift Store Partnerships

Thrift store partnerships have a different way of incorporating both for-profit and nonprofit elements to its organizational model: these partnerships are defined as "[service organizations that] seek donated merchandise… sell it… and use the proceeds to support their altruistic efforts" (Mitchell & Montgomery, 2010). Almost the inverse of the social entrepreneurship model, thrift store partnerships use the means of the for-profit world to help meet the ends of the nonprofit world. Organizations of this kind adapt an entrepreneurial mindset in development and diversification of revenue streams to better serve the cause of their mission (Xu & Morgan, 2012).

2.1.4 Nonprofit Organizations

Each of the three categories listed above can be considered "hybrid organizations," incorporating both for-profit and nonprofit approaches to the work they perform (Jager & Schroer, 2014). The nonprofit-orientated components of those three categories aforementioned comes to full fruition in the nonprofit organization, which completely operates in the nonprofit context under its rules and regulations. Graphic 1 below displays the continuum of the different types of entities within the nonprofit context, ranging from a more for-profit to more nonprofit orientation.

GRAPHIC 1

Nonprofit organizations, in the purest sense, are most easily distinguishable from for-profit institutions because they are tax exempt with a regulatory design that maintains a nondistribution constraint, which "is a provision of the law of nonprofits preventing such organizations from distributing their net earnings to those in control of the corporations" (Oster, 1995). Although a nonprofit organization would not be considered a hybrid organization, there is a trend toward more entrepreneurial approaches to the work, a stereotypically for-profit idea (Xu & Morgan, 2012). Nonprofit organizations can fall into any of the following five primary categories: "[e]ducational/research institutions, professional associations, social service organizations, cultural/recreational service providers, public health institutions, and other" (Ewing & Napoli, 2005). Nonprofit organizations can also be categorized based on the purpose of the organization or which industry context the organization fits: "[s]ocial service, community and civic work, education and research, health care, arts and culture, and religion" (Oster, 1995). Overall, nonprofit organizations are characterized by "considerable diversity in terms of both mission and structure" (Oster, 1995). Common characteristics of nonprofit organizations include heavy use of "both professional and volunteer labor" and "reliance at least to some extent on donations as a revenue source" (Oster, 1995). The variability of nonprofit entities is important to understand in order to contextualize the use of strategic management tools. There are different ways to both categorize and strategize for nonprofit entities depending on the type of entity in discussion.

2.1.5 Diversity in the Nonprofit Sector

Nonprofit organizations, the most common form of entity in the nonprofit context, are primarily marked by their tax status; however, they also have a highly-focused sense of mission as opposed to profit, which drives each decision made at the organization (Oster, 1995, Moore, 2000). Each of the types of organizations listed in section 2.1, aside from nonprofit organizations themselves, either is or has the potential to be a hybrid entity with aspects of both for-profit and nonprofit entities (Jager & Schroer, 2014). First, for-profit companies achieve corporate philanthropy when they donate to organizations of their choice (Porter & Kramer, 2002). On the other hand, both for-profit and nonprofit organizations can qualify as social entrepreneurs because "[n]onprofit corporations, under law, can serve private as well as public purposes, and often carry on their operations side by side with for-profits" (Oster, 1995). The definition of social entrepreneurship is slightly broader and leaves room for either a for-profit company looking to solve “unjust equilibrium[s]” or a nonprofit mission to achieve the criteria noted (Martin & Osberg, 2007). The difference between a for-profit social entrepreneur and a nonprofit social entrepreneur is the divergence in financial dealings with the money they make from serving the community. Thrift store partnerships combine the for-profit concept of sales with the nonprofit concept of reinvestment in providing services for community needs (Mitchell & Montgomery, 2010, Oster, 1995). The nonprofit sector encompasses an array of organizations that can qualify as nonprofits, despite some including for-profit strategies or characteristics.

2.2 Competitive Advantage

This paper seeks to show the difficulty in applying current theories of competitive advantage, which are largely specific to the for-profit sector, to the fundamentally different nonprofit sector and thereafter develop a theory of competitive advantage specific to the nonprofit sector. As Chapter 2.1 reveals, the foundation of a nonprofit organization is structurally different than a for-profit organization. Due to this gap between the contexts, competitive advantage becomes complex and difficult to apply to both in the same way.

2.2.1 The Importance of Competitive Advantage

There are wide-ranging opinions on the subject of competitive advantage and how entities should develop a competitive advantage in their respective contexts. There are contributors who argue that competitive advantage is based on an ability to produce greater profit than others (Grant, 2013); an ability to produce better value for customers or constituents than others (Stabell & Fjeldstad, 1998, Barney, 1991); an ability to conglomerate the greatest knowledge capital (Tucker, Meyer, & Westerman, 1996); among many other opinions. In essence, there is lack of consensus across the board regarding the true basis of competitive advantage; however, the sheer volume of works and studies that look into the topic prove the importance of competitive advantage in the business context. Arguably the most widely used theory of competitive advantage is that of Porter (1985), who writes that “[c]ompetition is at the core of the success or failure of firms.”

2.2.2 The Wide Range Applications of Competitive Advantage

Competitive advantage is sought in many more fields than just business and is the cornerstone of success in each of them. From personal to athletic to national contexts, competitive advantage is a vital concept to grasp for anyone interested in success.

Consider a person embarking upon a job search. They must find their competitive advantage amongst their peers applying to the same position. Essentially, one must determine what sets them apart from the crowd and clearly signal to the employer that they are the best choice for the job: they must exhibit and possess a value “not simultaneously being implemented by any current or potential competitors” (Barney, 1991). The person must be prepared to answer questions about their fit for a certain company, which is very similar to asking a candidate to tell the interviewer why their internal resources and capabilities as an employee work well in the environment and external structure of the firm: “the difference or differences between him and his competitors must be felt in the marketplace,” which in this case is the labor marketplace (Coyne, 1986).

Likewise, in the athletic context, the goal of most sports teams – logically speaking – is to win. This entails, at the most basic level, being better than the opponent, whether it be strategically, talent-wise, or a combination of these and other factors (Teece, Pisano, & Shuen, 1997). One can envision applying any of the definitions of competitive advantage featured in Table 1 below to a basketball game and determining which corresponding qualities of the winning team catalyzed their success in outscoring their opponent. The score may be in points for a basketball game, or it may be in profit in the business world (Ghemawat & Rivkin, 2006). Among many other potential examples, these hypotheticals reveal the applicability and importance of competitive advantage in nearly any situation that might have a winner.

Table 1 below shows examples of definitions of competitive advantage across many different disciplines. A desire to succeed is a sentiment shared across many contexts and applies to wide-ranging scenarios. The following table is intended to show only some of the potential applications of a framework or theory of competitive advantage outside of the business context.

TABLE 1

Discipline	Contributor	Definition of Competitive Advantage
Personal	Robert M. Grant (2013)	Strengths in resources and capabilities that are “obscure” and “difficult to replicate” (174).
Sports	Shawn L. Berman, Jonathan Down, and Charles W. L. Hill (2002)	“There are important similarities between sports teams and organizations in other industries. These include their mutual concern for competing externally, cooperating internally, managing human resources strategically, and developing appropriate systems and structures. … For a sports team, a competitive advantage is related to winning, and teams that win more than they lose, and continue to do so for an extended period of time, have sustained competitive advantage” (17).
Nations	Michael E. Porter (1990)	“[F]our attributes that individually and as a system constitute the diamond of national advantage, the playing field that each nation establishes and operates for its industries: • Factor conditions: The nation’s position in factors of production, such as skilled labor or infrastructure, necessary to compete in a given industry. • Demand conditions: The nature of home-market demand for the industry’s product or service. • Related and Supporting Industries: The presence or absence in the nation of supplier industries

		and other related industries that are internationally competitive. • Firm Strategy, Structure, and Rivalry: The conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry" (77).
Military	Kenneth Allard (2004)	"The more time available to the leadership of an organization, the greater their potential choices; but only if they use the time wisely to take planning steps outlined here: • Synchronization—otherwise known as alignment—of multiple activities across the corporation. • Balancing anticipated changes in the business operating environment with corporate response. • Linkage of CEO leadership perspective with accountable implementation actions by individuals. • Extending the planning horizon" (Chapter 10).
Politics	Patrick Forsyth (2007)	"Successful office politicians come in all shapes and sizes. … They all have in common, however, the ability first to spot things around them that might help their cause; and secondly to think of ways to exploit such things" (Chapter 6).

Each of these definitions, despite their different contexts, exhibits a need to find the best intersection between the internal characteristics and external or environmental conditions in which the entity operates. There is an overarching theme of tailoring strategy to best fit a certain situation, considering the internal resources and capabilities of the group or entity (Rothaermel, 2017). The "develop[ment] of systems and structures" relative to the "business operating environment" is vital to organizational success based on an encompassing look at these definitions of competitive advantage (Berman, Down, & Hill, 2002, Allard, 2004). Additionally, the "concern for competing externally" and "cooperating internally" is of note throughout these definitions (Berman et al., 2002). In any setting, whether it be military, politics, or sports, the entity must work well within itself to be able to effectively capitalize on its competitors' or opponents' shortcomings.

On the other hand, Porter emphasizes a need for "[r]elated and supporting industries" to truly achieve competitive advantage on the nation's level. This approach is not so boldly mentioned in other settings like sports, which strictly mentions external interaction as "competition" (Berman et al., 2002). It is applicable to other contexts, though, seeing as individuals on a sports team must be able to challenge each other – though cooperatively at the end of the day – to achieve the greatest team outcomes.

A theme threads throughout each of the definitions of competitive advantage across contexts, emphasizing a need to strategically match internal to external conditions. Contrastingly, some definitions listed in Table 1 explicitly state the need for internal competitiveness and challenge in order to be the most successfully competitive externally.

2.2.3 Defining Competitive Advantage in the For-Profit Sector

Porter (1985) defines competitive advantage as the ability to develop long-term sustainable leadership in a given market. Clearly any company or organization with typical idealistic goals will include development of a competitive advantage at the top of their list. It is a cornerstone of success in any given industry and essentially means that one entity is providing a good or service at a consistently superior level than its peers. Even further, competitive advantage fosters competition, which yields innovation, and eventually leads the product or service at hand to improve over time (Porter, 1990). Such contributions benefit not only the producer companies and consumer buyers but also the economy at large as spending is likely to increase when quality improves (Porter, 1990).

Competitive advantage typically falls into one of three schools of thought based on competitive strategy and the means by which an entity seeks to gain an edge: accounting profitability, shareholder value creation, and economic value creation (Rothaermel, 142). Depending on the priorities of the entity, competitive advantage is defined and evaluated in a variety of ways.

Table 2 below details several different definitions of competitive advantage. While the generic overarching goal of each of these views on competitive advantage is the same (establishing superiority over competitors), the means by which that superiority is measured varies. Some definitions are strictly focused on the bottom line number, while others incorporate more intangible qualifiers of success. For instance, one can contrast the difference between Grant's (2013) strictly number-oriented definition and Coyne's (1986) qualitative outlook. Disparities in opinion are numerous in the field, though they maintain the same objectives through their different measurements: winning out over their competition.

TABLE 2

Contributor	**Definition of Competitive Advantage**
Jay Barney (1991)	"… when [a firm] is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (102).
Margaret A. Peteraf (1993)	"… four conditions must be met for a firm to enjoy sustained above-normal returns. Resource heterogeneity creates Ricardian or monopoly rents. *Ex post* limits to competition prevent the rents from being competed away. Imperfect factor mobility ensures that valuable factors remain with the firm and that the rents are shared. *Ex ante* limits to competition keep costs from offsetting the rents" (185).
Michael E. Porter (1985)	"Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems

	from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation" (3).
Robert M. Grant (2013)	"When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns (or has the potential to earn) a persistently higher rate of profit" (171).
Gordon Walker and Tammy L. Madsen (2016)	"producing a larger economic contribution than competitors and defending the sources of that contribution from rivalry" (55).
Christine Oliver (1997)	"… firms need both resource capital and institutional capital for longer-run competitive advantage" (709).
Charles B. Stabell and Oystein D. Fjeldstad (1998)	"… choice of (emphasis of) value configuration is an additional dimension or third option beyond Porter's two basic strategies of cost advantage and differentiation" (435).
Kevin P. Coyne (1986)	"For a producer to enjoy a competitive advantage in a product/market segment, the difference or differences between him and his competitors must be felt in the marketplace: that is they must be reflected in some product/delivery attribute that is a key buying criterion for the market" (55).
Mary L. Tucker, G. Dale Meyer, and James W. Westerman (1996)	"Knowledge (what people know about product and process strategies, work flows, and others' performances within these flows) creates the basis for efficiencies and/or competitive advantages utilizing the new organization forms and management technologies (NFMT)" (52).
Pankaj Ghemawat and Jan W. Rivkin (2006)	"A firm is said to have a competitive advantage over its rivals if it has driven a wide wedge between the willingness to pay it generates among buyers and the costs it incurs – indeed, a wider wedge than its competitors have achieved. A firm with a competitive advantage is positioned to earn superior profits within its industry" (3).
Steven A. Lippman and Richard P. Rumelt (2003)	"…it is possible to capture value when the source of the surplus is tradeable, scarce, yet non-unique" (1080).
David J. Teece, Gary Pisano, and Amy Shuen (1997)	"The competitive advantage of firms is seen as resting on distinctive processes (ways of coordinating and combining), shaped by the firm's (specific) asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited" (509).
Kathleen R. Conner (1991)	"… the firm has advantage over a collection of market transactions in those situations where redeployment inside the firm is more efficient and, perhaps more important, qualitatively more productive because of the opportunity to benefit from asset interdependencies within the firm" (140).

Many of the above definitions revolve around the resource-based view of the firm, which conceptually suggests that “the role of resources and capabilities [serve] as the principal basis for firm strategy and the primary source of profitability” (Grant, 2013). However, not all fit neatly into this category of perspective. Some, like Oliver’s (1997) for instance, make additions or suggest combinations of resource-based and environmental approaches to development of competitive advantage. Others, like Coyne’s (1986), are heavily grounded in external orientation.

The following authors share a value-focused outlook on competitive advantage: Barney (1991), Porter (1985), Stabell and Fjeldstad (1998), Coyne (1986), and Lippman and Rumelt (2003). There is an emphasis, by these contributors, on a firm’s ability to provide value either greater than value provided by their competitors or greater than the cost of creating the product or service (Barney, 1991, Porter, 1985). Typically, Porter’s definition of competitive advantage is the most apt as it operationalizes the simplistic cost-benefit analysis in a business setting. Peteraf (1993), Oliver (1997), Tucker, Meyer, and Westerman (1996), Teece, Pisano, and Shuen (1997), and Conner (1991) all define competitive advantage based upon different assets necessary to defend and maintain within an entity. Finally, Grant (2013), Walker and Madsen (2016), and Ghemawat and Rivkin (2006) define competitive advantage as primarily based on the amount of profit an organization can generate compared to its competitors. Taking each of these definitions together, it is clearly important to match internal abilities of the firm to the most attractive corresponding external circumstances.

This theme of internal-external analysis applies to both the for-profit and nonprofit contexts, but the nonprofit context is nuanced, so success looks very different than the typical for-profit entity’s success. The structural discrepancies in the nonprofit realm foster complexity when it comes to competition between typically cooperative nonprofit organizations. Where success is fairly straightforward for for-profit companies, it is typically less so in the nonprofit context.

2.2.4 Competitive Advantage in the Nonprofit Context

When applying the idea of competitive advantage to the nonprofit world, strategies are slightly less clear and numerous. One can see how the idea of co-opetition would fit well in the nonprofit context as organizations seeking to serve the same cause are technically working together toward the same goal but competing on the funding side (Bradenburger & Nalebuff, 1996). The idea of competition and gaining a clear advantage over another entity makes less sense, intuitively, in the nonprofit context than it does in the for-profit context:

> “we typically assume self-interested behavior on the part of individual [for-profit] organizations and treat competition as the predominant mode of interaction. The nonprofit situation is more complex, both in terms of motives of the individual organization and the nature of the interorganizational interaction” (Oster, 1995).

Table 3 below features a number of definitions of competitive advantage with specific respect to the nonprofit world specifically.

TABLE 3

Contributor	**Definition of Competitive Advantage**
Michael E. Porter and Mark R. Kramer (2002)	"Philanthropy can often be the most cost-effective way for a company to improve its competitive context, enabling companies to leverage the efforts and infrastructure of nonprofits and other institutions" (9).
Mark H. Moore (2000)	"… in order for a strategy to be a good one, it has to be valuable, authorizeable, sustainable, and doable. … the value to be created [is] in terms of missions and goals rather than in terms of financial performance" (198, 199).
Joe Saxton (1995)	"[there are] four generic strategies for competitive advantage in non-profit organisations: externally driven, niche, differentiation and awareness" (50). • Externally driven: "[by] legacies, government grants [or] by arousing a tide of public sympathy" (51). • Niche (based on emotion/issue or geography): "The competitive strategy of the niche charity is to ensure that it remains the only major player in that niche and that the niche remains viable" (56). • Differentiation (based on audience, product, or beliefs): "perceived uniqueness to the donor" (52-54). • Awareness: "combines high awareness with the ownership of an issue in the public mind" (58).
Eric Kong (2007)	"Through the combination, utilization, interaction, alignment and balancing of the three types of intellectual capital [human capital, structural capital, and relational capital] and as well as managing the knowledge flow between the three components, IC renders the best possible value to organizations in the knowledge economy. Intellectual capital allows [nonprofits] to pursue their social objectives and use their resources effectively; and simultaneously sustain their cherished qualities" (291, 293).
Ronald R. Rojas (2000)	An organizational efficiency construct based on a continuum of control-flexibility and internal-external with respect to four quadrants: "(1) human relations, (2) open systems, (3) rational goal, and (4) internal process" (100).
Gary Warnaby and Jill Finney (2005)	"the development of a meaningful marketing orientation… to clarify and communicate its value proposition to its identified target markets, and in doing so hopefully acheiv[e] a sustainable competitive advantage on an ongoing basis" (183).
Joseph Galaskiewicz, Wolfgang Bielefeld and Myron Dowell (2006)	"… networks are more beneficial to organizations that depend on donations and gifts than on earned income" (337).
Sharon M. Oster (1995)	• "To succeed… an organization needs a set of goals that not only embody the vision of the constituents, but make some sense in

	terms of the realities of the economic marketplace and the political and social environment” • “Nonprofits at times band together not because collective effort necessarily helps each individual operation, but because collective action serves the greater good. Thus, nonprofits may, at times, be altruistic not only toward their clients, but toward their ostensible rivals” (57).

The issue that arises with a thorough look at competitive advantage is that its applicability to the nonprofit sector in generic terms is limited. There are clear differences between the definitions in Table 2 and Table 3 that can largely be narrowed down to the structural differences between for-profit and nonprofit sectors. At the most obvious level, many of the definitions of competitive advantage in Table 2 revolve around an ability to position the entity to make more profit than their competitors (Grant, 2013, Walker & Madsen, 2016, and Ghemawat & Rivkin, 2006). This brings up two basic issues in application to the nonprofit sector. First, the sector seeks to serve a mission that is entirely separate from the idea of profit-making and second, competition is very different in the nonprofit sector and looks more like co-opetition: “strategic management in the for-profit emphasizes speed in exploiting competitive advantages and secrecy in developing those advantages,” while quite the alternative exists in the nonprofit context with the frequency of cooperation toward larger community goals (Oster, 1995). There is an identified need to “leverage the efforts” of other nonprofits and effectively utilize “networks” in order to best position the nonprofit organization, which does not exist at the same level in for-profits (Porter & Kramer, 2002, Galaskiewicz, Bielefeld, & Dowell, 2006).

While both for-profits and nonprofit organizations need to understand the external circumstances and tailor internal strategies to those conditions (Rojas, 2000, Oster, 1995), mission and cooperation, unlike in the for-profit realm, remains the central line threaded throughout any nonprofit’s ability to develop competitive advantage: “the most fundamental ‘fact’ about any nonprofit organization is… answered in their mission statement” (Oster, 1995, Moore, 2000, Kong, 2007).

2.2.5 Relational View of Competitive Advantage

Because missions often seek to provide solutions to a larger community issue, nonprofit organizations typically work cooperatively in order to solve those problems (Oster, 1995). Considering the complexity of a concept like cooperation so often seen in nonprofit contribution to competitive advantage, the relational view of competitive advantage is important to understand. The definitions in Table 2 are largely from the for-profit world and strictly orient toward competition only. However, there are potential benefits that a certain level of cooperation between competitors might bring them: “there is no simple dichotomy between competition and cooperation: all business relationships combine elements of both” (Grant, 2013). Brandenburger and Nalebuff (1996) coined the phrase ‘co-opetition’ in reference to this unavoidable interplay.

More specific to competitive advantage as a concept, Dyer and Singh (1998) have offered a theory of competitive advantage that emphasizes the significance of relationships between competing firms:

> "an increasingly important unit of analysis for understanding competitive advantage is the relationship between firms and [there are] four potential sources of *inter*organizational competitive advantage: (1) relation-specific assets, (2) knowledge-sharing routines, (3) complementary resources/capabilities, and (4) effective governance."

Dyer and Singh (1998) make a claim that firms' ability to interact with each other and cooperate actually enhances efficiency as "relational rents generated through relation-specific investments are realized through lower value chain costs, greater product differentiation, fewer defects, and faster product development cycles." In summary, relationship development between the right pair or group of firms in an industry can be a valid source of sustained competitive advantage, which is a suggestion very different from ones that imply competitors are always the enemy (Dyer & Singh, 1998, Oster, 1995).

2.2.6 Fundamentals of Nonprofit Competitive Advantage

In reviewing the literature on competitive advantage across various different contexts, and especially considering the theory's applicability to the nonprofit context, the following four constructs were most important and recurring: identity, strategy, competition, and financials. Identity was selected because authors Coyne (1986), Sinek (2013), and Rothaermel (2017) discuss the importance of mission, purpose, and measurements of success in their writings on nonprofit organizations. Strategy was selected based on the supportive writings of Saxton (1995), Warnaby and Finney (2005), Barney (1995), and Tucker, Meyer, and Westerman (1996) relative to drivers, public relations, differentiation, and human resources. The third construct of competition was selected based on papers that covered competitive outlook, co-opetition, and value creation by Dyer and Singh (1998), Walker and Madsen (2016), Bradenburger and Nalebuff (1996), and Kong (2007). Finally, works by Ghemawat and Rivkin (2006), Porter (1985), Moore (2000), Galaskiewicz, Bielefeld, and Dowell (2006), Ewing and Napoli (2005), and Grant (2013) supported the construct of finances as a critical component to any discussion of competitive advantage. This research will delineate a framework for competitive advantage that is specific to the nonprofit sector through these four constructs in order to help fill the gap in information on the subject comparative to within the for-profit sector.

First, identity is vital to the development of competitive advantage in the nonprofit sector as the mission statement catalyzes organizational practices and performance, far more than it does in the for-profit realm: "Mission statements serve boundary functions, act to motivate both staff and donors, and help in the process of evaluation of the organization (Oster, 1995). Identity in the for-profit realm is far more externally-determined by the perception the public develops of a business, while the core of a nonprofit and its identity is internally-oriented and directly described by the mission statement (Coyne, 1986, Warnaby & Finney, 2005).

Strategic management in the nonprofit context is largely dependent on the organization's purpose and entirely revolves around the mission statement: "for a nonprofit organization, the question of values is often quite central to management in the way that it is often not in the corporate world" (Oster, 1995). This difference between for-profit and nonprofit, among the obvious tax status differences, frames the structural inconsistencies between the two contexts. As mentioned in Table 3, competitive advantage in the nonprofit context must follow that "the value to be created [is] in terms of missions and goals rather than in terms of financial performance" (Moore, 2000). The mission of the organization gives the reason for existing as an entity to begin with (Sinek, 2013). The nonprofit purpose reaches beyond to something more humanistic than profit:

> "In any competitive marketplace, an organization's long-term survival will depend on its ability to sustain an adequate level of profitability. This is equally true for both profit and nonprofit organizations, albeit not always the primary motivator for the latter" (Ewing & Napoli, 2005).

The mission drives everything a nonprofit organization does and provides the basis on which to build the workings of the entity.

The second construct, strategy, is critical because it operationalizes the organization from theory to action. In the for-profit realm, strategy is constantly evaluated and acted upon, usually in the form of "a business plan that describes how the company plans to compete in various product and service markets;" on the other hand, in the nonprofit context strategy consists of the "particular activities [the organization] undertakes in the pursuit of the mission (Moore, 2000). There are structural similarities between the way a for-profit entity and a nonprofit organization can develop a strategy, but typically the strategies created to achieve success are quite different (Oster, 1995, Porter, 1985). Strategy is applicable at an overarching level for the organization and also on more specific levels like human resources and marketing.

In terms of human resource management, the reason nonprofits are typically so compelling to donors or volunteers is because their donations of either money or time directly links to the organization's "why" proposition (Sinek, 2013). Organizations swim in a complex pool in which "[they], because of the kinds of goods and services they produce, are critically dependent on high-quality staff. Nevertheless, there is good evidence that suggests that nonprofits offer this staff less compensation than their for-profit counterparts" (Oster, 1995). These organizations are therefore forced to rely on staff members' connection and personal "support of the mission" to bridge the gap in compensation they would see in a comparison to for-profit peers (Oster, 1995).

Marketing is another subcomponent of strategy that is important to consider in developing a nonprofit approach. In the for-profit world, marketing is one of the primary activities of the value chain in a firm, while it must be approached conservatively in the nonprofit world (Rothaermel, 2017, Warnaby & Finney, 2005). There is a lack of industry-wide consensus on the rules of marketing in the nonprofit sector, which, in tandem with the mission-oriented business model, makes marketing strategy complex:

> "much progress has been made in a short span of time, but many of the issues associated with introducing marketing concepts and principles into nonprofit organisations have had to be addressed and this work is ongoing" (Warnaby & Finney, 2005).

In essence, strategy represents the operationalization of the mission of a nonprofit organization or the business plan of a corporation. It lays out the steps necessary to achieve those goals, though it looks quite different in these two contexts due to their structure distinguishability (Oster, 1995).

The third construct selected is competition. Again, directly derived from the overall topic of competitive advantage, nonprofit organizations' conceptualization of and approach to competition is important (Porter, 1985). In a context where competition is not totally intuitive because the external environment of nonprofits is more cooperative than that of the for-profit sector, competitive advantage looks different (Bradenburger & Nalebuff, 1996). Nonprofit organizations work to create solutions to problems with the same organizations that they might compete with for funding (Oster, 1995). On the other hand, for-profit companies use their resources and capabilities to out-perform anyone trying to serve the same or similar customers in order to maximize market share and profits (Grant, 2013).

There is an intrinsic desire to improve business processes within nonprofit organizations in order to better achieve their altruistic goals (Oster, 1995). However, it is difficult to apply this competitive drive when idealistically means completely solving the targeted community issue. If the organization were to achieve this, they would technically have no reason to exist any longer. The idea of competitively rushing to one's own end, therefore, is counter-intuitive and displays the complexity of competition in the nonprofit realm (Oster, 1995).

There is always a need to compete for dollars within the pool available from philanthropic activity, but this competition is typically less cutthroat than that seen in the for-profit context (Moore, 2000). On the other side of nonprofit organizations is programming, where most nonprofits are extremely keen on sharing of best practices and cooperation to best serve the people in need of their collective services (Oster, 1995).

Lastly, financials are the fourth construct of this research. In the nonprofit world, profit is never the true end game, where it often is in the for-profit realm (Moore, 2000, Grant, 2013). Nonprofit organizations are structurally designed and regulated as tax exempt and "any financial surplus that may result from operations cannot be distributed to those in control of the corporation, its directors, staff, or members" (Oster, 1995). This financial structure is far different from the for-profit one, which is subject to taxes and allows reinvestment of retained earnings at the entity's discretion (Walker & Madsen, 2016).

In continuance, nonprofit organizations typically face more obstacles to serving their intended communities than do for-profit companies. Especially when it comes to financial instruments, nonprofit organizations face constrained budgets because most of their revenues must be directly invested into their programs, while for-profits have more freedom to raise capital and reinvest revenues with lower regulatory barriers (Oster, 1995, Rothaermel, 2017). Additionally, nonprofit organizations are largely reliant on donations, which can be unpredictable and uncontrollable to a certain extent (Oster, 1995).

A broad-scoped look at the available literature in the nonprofit sector revealed that identity, strategy, competition, and finances were four key areas in which organizations interested in success must focus. These constructs, therefore, form the lens through which the nonprofit sector will be discussed throughout this paper in order to determine the extent to which frameworks like competitive advantage and typical strategic management tools are applicable.

3.0 METHODOLOGY

An exploratory and qualitative approach to research was implemented in order to look into competitive advantage in the nonprofit sector. This approach was selected due to the numerous variations of nonprofit entities and the strategies those nonprofits develop to serve their missions. Qualitative research seemed most appropriate in this sense because the topic is largely unsaturated in the current literature so inductive research is necessary at first to fill in the gaps. Quantitative research will certainly be important going forward, but the nature of this research demanded discussion-based responses for holistic understanding of the sector and approach to performance. Interviews were conducted with upper level management of nonprofit organizations so that honest answers were not compromised by a fear of job instability.

3.1 Data Collection

Data collection through 20 interviews with executives of nonprofit organizations in Florida, Maryland, Massachusetts, New Jersey, New York, Oregon, and Virginia provided thorough qualitative information regarding the nonprofit context and competitive advantage. The selection of states was largely determined by availability and connections to executives, beginning primarily in the Syracuse, New York area in which the researcher is geographically based. The range of states was necessary to ensure a sufficient amount of variance in geographic spread among organizations interviewed so the gatherings could be applied on a broader level than just local to the city of Syracuse. The organizations included were selected for their success, wide-ranging organizational age, and various contextual engagements. 8 of the 20 interviews were conducted in person, while the other 12 were conducted over the phone. Of the 20 organizations selected, 2 were generic foundations; 3 were faith-based; 6 were social services; 2 were emergency services; 2 were educational organizations; 7 were involved in the health sector and 2 were environmentally focused. Table 4 below delineates the 20 executives interviewed, the organization to which they belong, their position, and their organization's respective mission statement.

TABLE 4

Interviewee	**Organization**	**Position of Interviewee**	**Mission Statement**
Jennifer Owens	The Central New York Community Foundation	Vice President of Development & Marketing	"The Central New York Community Foundation, through effective use of its endowment, enhances the quality of life for those who live and work in the community."
Andrew Lunetta	A Tiny Home for Good	Founder & Director	"A Tiny Home for Good supports those facing homelessness by providing

			affordable, safe, and dignified homes and fostering strong community partnerships to ensure resident stability.”
Heidi Holtz	The Gifford Foundation	Director of Research & Projects	“The Rosamond Gifford Charitable Corporation is a private foundation dedicated to the stewardship of the funds entrusted to its care. The Foundation is committed to using its financial and human resources to build the capacity of individuals and organizations to enhance the quality of life for the people of Central New York.”
Beth Stefanacci	Go4theGoal	Founding Director	“Our unwavering mission is to improve the lives of children battling cancer by providing financial support, developing and implementing unique hospital programs, funding innovative research, and granting personal wishes.”
Susan Bertrand	Maureen’s Hope Foundation	Founder & President	“The mission of Maureen’s Hope Foundation is to offer practical support and assistance to people facing the challenges of a cancer diagnosis or other life altering disease.”
Melinda Caltabiano	One Love Foundation	Managing Director of Engagement	“It is the goal of the One Love Foundation to honor Yeardley Love by bringing an end to relationship violence by educating, empowering, and activating campus communities in a movement for change.”
Dwayne Mahoney	The Boys & Girls Club of Rochester	Executive Director	“To inspire and enable young people of all backgrounds to realize their full potential as productive, responsible and caring citizens.”
Alan Thornton	Rescue Mission Alliance	Chief Executive Officer	“Share hope, end hunger and homelessness, change lives, and strengthen communities one person at a time.”
Birgie Miller	“DING” Darling Wildlife Society	Executive Director	“‘Ding’ Darling Wildlife Society, the non-profit Friends of the Refuge organization, supports environmental education, services, and conservation at the J.N. ‘Ding’ Darling National Wildlife Refuge Complex.”
Bob Krinitsky and Gary Krudys	Healthe Connections	Chief Technology Officer, Chief	“Healthe Connections is a not-for-profit corporation that supports the meaningful use of health information exchange and technology adoption, and the use of community heath data and best practices,

		Information Officer	to enable Central New York stakeholders to transform and improve patient care, improve the health of populations and lower health care costs.”
Scott Aminov	American Red Cross	Regional Chief Operating Officer	“The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.”
Amy Van Ryn	TeamIMPACT	Director of Programs	“We improve the quality of life for children facing life-threatening and chronic illnesses through the power of team.”
Katie Emick	Rooted In Hope	Executive Director	“Rooted In Hope is a 501(c)3 nonprofit organization dedicated to environmental protection and sustainable development.”
Kate Waltman	Step Up Moment	Founder	“Our goal is to promote healthy lifestyles by starting with the individuals who need it the most.”
Gwen Kenealy	The Severna Park Community Center	Executive Director	“To serve as the community gathering place that enhances family life and individual development in a Christian environment open to all.”
Chris Arnold	Paige’s Butterfly Run	President & Cofounder	“Fighting pediatric cancer. Funding hope.”
Delia Whitfield	Juvenile Diabetes Research Fund (JDRF)	Associate Executive Director, Chesapeake Chapter	“We are engaged in a process of curing T1D and we must be able to help those living with T1D today to live healthier, easier, and safer lives until we arrive at the end of that path.”
Kevin Frank	The Brady Faith Center	Executive Director	“To meet the physical, spiritual, and educational needs of families on the southwest side [of Central New York].”
Edward Suk	The National Center for Missing & Exploited Children (NCMEC)	Executive Director	“To help prevent child abduction and sexual exploitation; help find missing children; and assist victims of abduction and sexual exploitation, their families, and the professionals who serve them.”
Chris Caltabiano	The Council for Economic Education	Chief Program Officer	“The CEE is uniquely positioned to close this widening knowledge gap and allow students to successfully navigate 21st century life and reach their full potential.”

Interviews were conducted until responses began to heavily overlap and interview questions were fully saturated with answers and opinions. As an introduction to each interview, the researcher’s interest in the complexity of competitive advantage in the nonprofit sector was explained and the interviewees were asked to discuss their organization’s overall purpose. The general research questions that the interviews sought to address are as follows:

- Does competitive advantage look the same in for-profit and nonprofit contexts?
- What are the staple characteristics that a nonprofit must have in order to position it to gain a competitive advantage?
- If a nonprofit does not look to make a profit, how is the mission and organizational success evaluated to help develop a competitive advantage?

The interview schedule shown below in Table 5 displays the four categories that interview questions touched upon, the literature from which they were derived, and the specific interview questions asked within each construct.

TABLE 5

Category	**Main Author(s)**	**Academic Topic**	**Interview Question**
Identity	1. Kevin P. Coyne 2. Simon Sinek 3. Frank T. Rothaermel	1. Differentiation 2. Purpose; value proposition 3. Accounting profitability; shareholder value creation; economic value creation	1. How important is it for you to differentiate your service considering your customers are typically the needy? 2. How important is your mission statement or statement of purpose? 3. How do you define success?
Strategy	1. Joe Saxton 2. Gary Warnaby and Jill Finney 3. Jay B. Barney 4. Mary L. Tucker, G. Dale Meyer, and James W. Westerman	1. External, issue, differentiation, or awareness driven 2. Public relations 3. Differentiation 4. Employee product/process strategy knowledge	1. Does your organization fit into a category of being externally-driven (by grants or government for instance), issue-driven, differentiation-driven, or awareness-driven? 2. How do you balance marketing efforts with potential public relations skepticism? 3. Do you have to offer a different type of value than other organizations in order to be the most successful? 4. Is it important that employees understand how their contributions affect the larger picture in your organization?
Competition	1. Jeffrey H. Dyer and Harbir Singh; Gordon Walker and Tammy L. Madsen	1. Relationships with competitors 2. Co-opetition	1. Is it beneficial for you to defend and maintain a level of secrecy regarding your strategies from other

	2. Adam Bradenburger and Barry Nalebuff 3. Eric Kong	3. Value creation (intellectual capital imbalance: human capital, structural capital, or relationship capital)	nonprofits working toward your same goals? 2. Do you feel that you compete with the same people with whom you work cooperatively? 3. Do you think you give better value than competitors? If so, how?
Finances	1. Pankaj Ghemawat and Jan W. Rivkin; Michael E. Porter ("Competitive Strategy: The Core Concepts") 2. Mark H. Moore 3. Joseph Galaskiewicz, Wolfgang Bielefeld, and Myron Dowell 4. Michael T. Ewing and Julie Napoli; Robert M. Grant	1. Cost structure 2. Value creation 3. Relational networks 4. Profitability	1. How do you factor cost structure into your strategy to try to successfully achieve your mission? 2. How does financial performance contribute to the value you create? 3. How would you assess the importance of relational networks in the overall financial performance of your organization? 4. Is your ability to sustain a certain level of profitability the most basic ultimate key to your long-term success?

All interviewees were aware that they were being recorded, agreed and allowed the recording, and recognized that their responses would be used in this qualitative research. This research was approved and designated as exempt from the IRB review. The recordings were compiled into a total of 84 pages of transcriptions. Data collection also included secondary sources, specifically information from the organizations' websites, to supplement the information gathered from interview responses.

3.2 Data Analysis

The data was primarily analyzed by going through the transcriptions one interview at a time, reading all interviewee responses to the same question, and determining if there was general consensus in response or not. Shorthand notes were taken to indicate if each question fostered consensus or variance in response and what specific sentiments the responses represented. The second round of analysis came from a comparison of the responses – in consensus or variance – to the corresponding literature and theory noted in the "Main Author(s)" column of Table 5. The comparison was conducted to determine if the findings of this research were in agreement with other theories currently used in the nonprofit or for-profit community.

An exploratory qualitative method was selected because it allowed for inductive research on a topic of competitive advantage in the nonprofit sector that is complex and descriptive by nature. Despite this exploratory approach, the results are derived from an iterative process of comparison between empirical data and theory found within existing literature.

4.0 FINDINGS

Sentiments of the interviewees largely matched the literature available in the nonprofit context, aside from some small dissentions. Interviewees notably mentioned some ability to function similar to the typical for-profit entity in very specific aspects of their operations, but the basis of existence of their organizations was fundamentally different at the core. The findings of this research were developed on the basis of the four constructs of identity, strategy, competition, and finances, derived from the literature available on nonprofit and for-profit competitive advantage. The responses from interviewees largely indicated the importance of these four constructs in the daily and long-term actions and performance of their organizations.

4.1 Identity

Respondents continually emphasized organizational identity, specifically mission, throughout all questions in the interviews. Mission was the most common theme that arose during interviews, a clearly vital aspect of each of the nonprofit organizations. The questions within the identity construct prompted respondents to discuss information about nonprofit approach to purpose, value proposition, and determinants of success.

4.1.1 Purpose

The purpose of the organization is a significant determinant of the mission statement, which respondents indicated is threaded throughout every organizational decision and operational department. The values of the organization and the issue they seek to serve feed directly into the purpose of the organization. The following excerpt reveals the overall consensus regarding purpose from majority of nonprofits interviewed in this research:

> "The mission statement, especially in the nonprofit sector, is extremely important. That gives your stakeholders, employees, and clients a quick glimpse of what you're trying to accomplish, what the end state is for you, what is success for you. It outlines the roadmap of how you want to get there" (Scott Aminov, American Red Cross).

Additionally, many organizations mentioned the significance of mission in the decision-making process as a risk-management tool to keep an organization constantly on track. This decision-filtering element of the mission is summarized in the following quotation:

> "If you're not thinking about mission with everything you do, I think you run the risk of making a lot of mistakes" (Chris Caltabiano, Council for Economic Education).

Overall, mission was one of the most frequented words used in interviews by respondents, regardless of the question asked. Respondents emphasized its importance to all stakeholders and especially in decision-making.

4.1.2 Value Proposition

In the interviews, nonprofit executives were asked if they felt a need to differentiate their services considering their customers tend to be relatively more needy than for-profit counterparts' customers. Respondents generally found consensus in looking at differentiation as a way to better serve constituents overall, but there were variances in responses regarding the type of differentiation necessary. The following quotations display the range of opinions regarding differentiation among interviews:

> "In the areas where we work, particularly in East Africa and Central America, the community workers are so rural and so remote, so it's almost like a take-what-you-can-get model. I don't feel any real direct competition because there's no saturation out there when it comes to development projects" (Katie Emick, Rooted In Hope).

> "There are things we do that we would like everyone to do because we know it works. There are also times you want to be different because, from a funding perspective, people want to fund things that are original and evidence-based" (Dwayne Mahoney, The Boys & Girls Club of Rochester).

> "The strategy by which we help the community is by funding nonprofits, but we don't necessarily see our constituent customers as the nonprofits. I would say needy is too narrow a definition because we also support the arts. … How we differentiate ourselves from other foundations is partially through this as I'm not sure other foundations would state the community to be their customer quite so boldly as I just did" (Heidi Holtz, The Gifford Foundation).

The first quotation represents an organization that does not feel a pressing need to differentiate from other organizations in their space because the issue they seek to serve is far from fully addressed. The second quotation represents an organization that engages in differentiation in order to attract funders, but tries to balance their ability to differentiate with an ability to disseminate best practices to similar organizations. Finally, the third quotation represents an organization that takes active and intentional differentiation steps to separate itself from others in its space in an effort to attract more funders. Interviews indicated that the approach to differentiation throughout the nonprofit sector is not homogenous. The quotations featured above represent three main schools of thought into which responses fell.

4.1.3 Determinants of Success

When asked how their organizations evaluate success, most respondents indicated that it ultimately stems from achieving the mission. The methods used to achieve this, however, were not all the same. Depending on the organization, respondents either pointed to meeting demand, metrics, improvement, or ethos as the determinants of success for their organization.

For those organizations that sought to meet demand in order to achieve success, the underlying sentiment was that, considering the lack of sufficient resources to address these problems, success occurs if all in need of help can be served. Below are two definitions given in interviews that stated meeting demand was the evaluation method used for their organizations:

> "When we are able to deliver on whatever is requested of us" (Beth Stefanacci, Go4theGoal).

> "When we have people providing support to nonprofits equal to their needs" (Jennifer Owens, Central New York Community Foundation).

Another method of organizational performance evaluation was the use of metrics because the quantification helps organizations conduct objective appraisals. The following quotations summarize the sentiment of those organizations that rely on metrics to understand if they are successful or not, the latter of which directly links back to the importance of mission:

> "[Metrics] are the key indicators of how successful we are" (Bob Krinitsky, Healthe Connections).

> "A lot of times we're looking at those metrics – job placements, housing placements, etc. We track it daily, annually, and we bring it to the board quarterly. We look to these to measure our success in terms of are we fulfilling our mission" (Alan Thornton, Rescue Mission Alliance).

Again, success ultimately boils down to the purpose or mission of the organization. In several nonprofits' cases, the mechanism used to evaluate organizational performance relative to that mission was important, indicative business metrics.

Other organizations looked to general improvements in chosen areas of their operations to determine if they were successful. The areas where organizations sought improvement usually differed depending on the type of organization and the context in which they operated, but one of the most common places to look was annual fund collections. The following quotation represents the consensus of organizations that focus on year-to-year improvement to achieve success within the context of their mission:

> "As the Executive Director, I'm happy if we've at least maintained our operations and even more thrilled if we've expanded" (Edward Suk, National Center for Missing & Exploited Children).

Some organizations, especially ones that first mentioned improvement as their determinant of success, also mentioned other mechanisms to be used in tandem. Most organizations had a primary method that they looked to first, but supplemented those evaluation methods with others to ensure a holistic appraisal. The following quotation shows an example of one of the several responses that maintained this approach:

> "You can't put a value on giving hope to someone. At the end of the year, certainly I like to see the amount of money we've raised higher than the prior year. And fortunately, it has been. But success is more just about impact" (Susan Bertrand, Maureen's Hope Foundation).

As mentioned in the quotation above and echoed by a large number of the organizations interviewed, a feeling of impact on constituents was another determinant of success. The quotations below reveal this sentiment across several different nonprofit contextual settings:

> "It's easy to look at numbers and say you're successful: if you raised $300,000 and give away $250,000. From that perspective, that's successful. It's more of a feeling than anything else for me" (Chris Arnold, Paige's Butterfly Run).
>
> "We are successful if the people involved in our community have increased agency and sense of having enough love, dignity, courage, strength, grace, forgiveness, and hope for themselves to be well" (Kevin Frank, The Brady Faith Center).

These organizations, which are humanistic by nature and often seek to improve the quality of life of people in unfortunate circumstances, often base their success on an ability to positively impact their constituents on an emotional and psychological basis that cannot necessarily be quantified. In addition, many of the organizations interviewed indicated that they try to approach their work on an individual basis with constituents, rather than a more emotionally detached constituent population approach. The quotations below echo this common sentiment throughout interviews, indicating an emphasis on success as a feeling at the one-to-one level:

> "Success for Step Up Moment is on a person by person basis in ensuring everyone who participates has that moment where they feel like they've accomplished something, they have a family and a team" (Kate Waltman, The Step Up Moment).
>
> "If we can provide a great experience that is both fun and therapeutic for the children and profound for the athletes through supportive interaction, that is success. We've matched over 1,100 kids in the last year but if we only match 50 more and it's a tremendous experience, that is still success" (Amy Van Ryn, TeamIMPACT).

These organizations focused on individual constituents often reiterate this sentiment within the mission statement itself, bringing the identity of the organization full circle. The mission sits at the core of an organization's identity, while factors like purpose, value proposition, and determinants of success contribute and feed into that mission. These three components of mission were very important to nonprofit success, according to the interviews.

4.2 Strategy

In discussing development of competitive advantage with nonprofit organizations, respondents also emphasized the importance of strategy in several facets. First, the organization's drivers were important to respondents; in other words, what allows the organization to continue operations and propels it toward achieving its mission. Second, respondents were prompted to discuss their approach to differentiation within their nonprofit strategy. Finally, respondents considered the separate and deliberate marketing and human resource management approaches of their organizations and how these components of strategy foster success in a nonprofit context. These four components of strategy were discussed in detail in interviews and are included in this section of the findings.

4.2.1 Drivers

Executives interviewed often indicated that they “range[d]” or were a “hybrid” between types of nonprofit strategies (Andrew Lunetta, A Tiny Home for Good, Melinda Caltabiano, One Love Foundation). Again, all of them ultimately pointed to being mission-driven, as might be expected of a nonprofit organization, but general consensus was that nonprofit organizations must be dynamic across the four categories of external, niche, differentiation, and awareness drivers. The following quotations summarize this sentiment established across the majority of respondents:

> “I think in a life-cycle of an organization, you’re going to touch on different components at different times” (Kevin Frank, The Brady Faith Center).

> “You have to be able to multitask. Depending on the time of the year, one takes more precedence over the other, usually depending on when grant applications are due or service delivery deadlines. It has to be evenly balanced and keep donors, clientele, and partners in mind” (Scott Aminov, American Red Cross).

Smaller organizations, however, were able to specify more individually the type of strategy that they implement. Most smaller organizations, ones either starting out recently or struggling to find funding sufficient for growth, mentioned that they do not have the resources to pursue certain strategies:

> “[W]e’re in a bit of a catch-22 situation where we’re too small to be eligible for grant funding but we can’t really get to a bigger phase until we do get grant funding” (Katie Emick, Rooted In Hope).

> “In terms of grant applications, I think it’s really important to be able to articulate through those metrics how successful you’ve been because they’re not just going to take your word for it. I would love to see us as externally-driven, but we’re not there yet” (Kate Waltman, Step Up Moment).

Many of the executives indicated that an externally-driven strategy is eventually achievable, but that there is a time-curve related to achieving such a strategy. This works in tandem with Frank’s aforementioned comment, stating that organizations must take on each of these strategies throughout their life-cycle in order to best serve constituents.

4.2.2 Differentiation

Executives interviewed largely indicated that differentiation mostly provides benefit to their organizations not by beating their competitors, but instead by providing opportunity and space for them to work collaboratively to solve problems. The quotations below offer strong summative points on the topic:

> "Being able to differentiate ourselves in this space to see what we can offer that's a bit different from everyone else helps us to partner with those other nonprofits" (Amy Van Ryn, TeamIMPACT).

> "We try to identify unique niches in the overall realm of need of human beings. Everyone aligns themselves based on their capacity, resources, and vision in a unique way. We try not to step on each other's toes as much as partners and people who collaborate to meet the overall greater need of people. So from that perspective, it's about uniquely positioning yourself so that you're providing services that nobody else is providing" (Scott Aminov, American Red Cross).

According to interviews, differentiation in the nonprofit context largely provides an avenue for complementary work between many organizations seeking to serve the same cause. Based on responses, this approach to differentiation also fosters ability for every organization to provide a unique way to solve the problem at hand without so much repetition and perhaps more creativity in collective solutions as a result.

4.2.3 Marketing and Public Relations

Marketing is a complex component of any nonprofit organization's strategy. There is often a stigma around marketing in the nonprofit context as people can be skeptical of an organization taking money from a donation and plugging into a marketing campaign or advertisement as opposed to directly back into the cause. The irony of this situation that many nonprofits experience is stated in the following quotation:

> "No one vilify a big tech company for spending a million dollars on a huge advertisement. But that would not look so good for a nonprofit" (Andrew Lunetta, A Tiny Home for Good).

Most organizations pointed to transparency, cost control, and discretion in order to have a successful marketing strategy in the nonprofit context. There is a balance that must be struck in two senses when it comes to marketing. First, donors want to see their money going to a cause they care about rather than to a flashy, expensive form of marketing or media. Second, marketing efforts must balance telling the success stories of constituents without stripping those constituents of their individual worth in the process. The following two quotations summarize the general sentiment found through interviews on both of these balancing acts, respectively:

> "A good nonprofit will look at very cautious and modest ways of advertising programs and worth of the mission. It can be disheartening to see a nonprofit put out a glossy annual report that someone had to pay for" (Edward Suk, National Center for Missing & Exploited Children).

> "In the nonprofit sector, as long as you're careful with the way you portray your beneficiaries with human dignity and aren't too drastic highlighting the poverty or suffering to the point of exploitation, you can have a respectful and positive media campaign that people will respond to" (Scott Aminov, Red Cross Association).

Overall, as will be discussed more in the section 4.4.1 of the findings, organizations look to both maintain low overhead costs to ease donor concerns and understand the line of respect for constituents in relaying stories to the public.

4.2.4 Human Resources

Many interviewees said that the most integral component of their organization was the people who are deeply and personally connected to the mission. The quotations below summarize the respondent consensus on the importance of employees and volunteers being connected to the mission:

> "It is important for a team, especially when you're in the day-to-day grind or doing things on the operational path, to feel that they're apart of something bigger" (Delia Whitfield, Juvenile Diabetes Research Fund).

> "It is really important for employees to understand how their contributions affect the larger picture because that is how you build support over time. People have to have so many positive experiences with your organization, either on a volunteer or donor or staff level, to really be your advocate out in the community" (Jennifer Owens, Central New York Community Foundation).

Additionally, there was overall understanding that human resources must be connected to the mission in part to compensate for the fact that nonprofit staff are typically not paid as much as their for-profit counterparts. This sentiment is summarized below:

> "To communicate to your team how each of them contributes is so important because at the end of the day, that's what is driving them. Not a lot of people come to nonprofits to work because of the money. Mostly the public sector jobs pay significantly less" (Scott Aminov, American Red Cross).

Human resources, overall, were considered a vital asset to organizations and effective management of those people is a critical component of organizational success and strategy.

The strategy of an organization, incorporating drivers, differentiation, marketing and public relations, and human resources, ultimately represents the means by which an organization achieves the ends of its mission. These four factors were emphasized across the board during interviews as decision points critical to an organization's ability to operate as effectively as possible.

4.3 Competition

Interviews conducted discussed competition, which all respondents agreed was a complex subject in the nonprofit realm. The vast majority of respondents found consensus in that there are elements of both competition and cooperation in the nonprofit world. Respondents were prompted to discuss their relationships with their competitors, the idea of co-opetition, and their competitive outlook within their context. These three components of competition revealed important insights regarding the applicability of competitive advantage within the nonprofit sector.

4.3.1 Relationships with Competitors

The organizations interviewed overwhelmingly indicated that their interaction with other competitors is transparent and open, as is summarized in the quotation below:

> "Sharing of best practices only looks to make all of the contributors better at what they do and the services they provide. There is no business driver to keep mechanisms secret" (Gary Krudys, Healthe Connections).

Many organizations even mentioned that they would be supportive of emulation in their context, noticing that it only contributes to wider-spread solutions to the problem they try to solve:

> "I think imitation is really the largest form of flattery. It's a very collaborative space. Board members from other nonprofits share what works and what hasn't all the time with each other to spread best practices that are actually implementable" (Delia Whitfield, Juvenile Diabetes Research Fund).

The only exception to a willingness to share information between nonprofit organizations, even within the same service context, was protection of proprietary information. Content that is original and entrepreneurial was still something that nonprofit organizations wanted to keep protected for risk-management benefits. This sentiment is summarized in the quotation below:

> "Like a for-profit entity, we're cautious about protecting against infringement upon copyrighted or logoed material to prevent any damage to the brand that would effect its reputation. However, anything we do programmatically is free and open to the public" (Edward Suk, National Center for Missing & Exploited Children).

Though nonprofit organizations are largely much more open with strategic information and methods, they are not careless. The sharing done is intentional because it so often contributes to achieving the mission on a larger scale than could be accomplished by individual organizations in silos.

4.3.2 Co-opetition

Furthermore, interviews indicated that nonprofit organizations primarily feel elements of cooperation in their interaction with other organizations, while competition exists only specific to the funding side. The quotations below, noting that there is never full saturation of reserves to help the number of people in need for some nonprofit organizations, are indicative of most responses in interviews:

> "I don't feel I'm competing with anyone. There are never enough resources for any of this stuff" (Chris Arnold, Paige's Butterfly Run).

> "We're not necessarily competing against other Type 1 Diabetes organizations; I think it's more that all nonprofits are competing for limited dollars within either corporate entities, foundations, or individual donors" (Delia Whitfield, Juvenile Diabetes Research Fund).

In fact, many of the responses seemed to indicate that organizations will take intentional steps to avoid any feeling of competition with other nonprofits, while still recognizing the need to make enough money to sustain programs and services, as is summarized below:

> "Nonprofits work well with each other. Camaraderie and partnerships can be appealing to funders who see these organizations maximizing the stewardship of their dollars. But every nonprofit is also a business because we have to survive." (Edward Suk, National Center for Missing & Exploited Children).

Of note, however, were a few outliers in responses that differed from the quotations above, indicating that sometimes there is direct competition felt:

> "You're probably competing for the higher proportion of that money the donor is giving. But if you're looking from a retail standpoint, we're certainly competing with other nonprofits that are in this space. I think we're also competing with other for-profit companies in this space, specifically the discount merchandiser" (Alan Thornton, Rescue Mission Alliance).

Though most organizations emphasized cooperation in the nonprofit realm, there were a few contrasting views that maintained a feeling of some sort of competition in their work.

4.3.3 Competitive Outlook

Nonprofit views of others in their industry vary dependent on the type of organization at hand. For organizations that engage in work that overlaps into the for-profit sector, it is easier to conceptualize, according to standard responses across interviews:

> "One of our public company competitors is in it for profit and to make money, whereas we're here for the public good to try to enrich the entire community, not specific providers or companies" (Bob Krinitsky, Healthe Connections)

For organizations that do not overlap into the for-profit realm, on the other hand, there is still some desire to provide a value greater than other nonprofits. Consensus was that this desire to provide better value than other nonprofits was not in an effort to knock other nonprofits out of the game, but instead to provide better solutions collectively:

> "It's a different value. Without those other complementary programs, though, I wouldn't be able to help these people. Their basic needs must be met before they come to us to

> enhance quality of life with motivation, love, and friendship" (Kate Waltman, The Step Up Moment).

Very similar to the nonprofit approach to differentiation, interviews indicated that competition is viewed in a more collaborative way where organizations try to make themselves better so that they can reach more constituents overall, not just within their own organization.

According to interviews, competition is complex in the nonprofit context because it is marked by typically open relationships with competitors, co-opetition, and varying competitive outlooks dependent on the type of organization. These three elements of competition are intentionally developed in a nonprofit organization in order to foster the greatest success in solving wider community issues.

4.4 Finances

Organizations noted that approach to financial dealings is largely based on conservatism in the nonprofit world. The four most important components of finances, according to the interviews, are cost structure, value creation, relational networks, and profitability. These constructs were reiterated throughout interviews as elements of the nonprofit context that are largely different than what is seen in the for-profit sector aside from some select areas in which for-profit concepts were applicable.

4.4.1 Cost Structure

For both marketing and programming-capability reasons, development of a cost structure and a way to control expenses is paramount to a nonprofit running properly. There was an overwhelming emphasis on minimizing overhead costs during interviews, summarized in the following quotation:

> "We try to maintain a 20% or less overhead or indirect cost ratio so the majority is going toward programming in some way. That really seems to be the cut off line to me between organizations that are truly mission-focused and organizations that maybe need to rethink the balance" (Chris Caltabiano, Council for Economic Education).

The relationship between this cost control and revenue is also extremely important. A need for conservatism in the nonprofit realm was emphasized because donations can be fickle and unreliable at times. This common sentiment across many organizations is summarized below:

> "As a nonprofit, you're trying to breakeven with maybe a little extra margin but it doesn't take a lot if your revenue assumption is even slightly off and your expenses remain to run a deficit" (Alan Thornton, Rescue Mission Alliance).

Additionally, many of the organizations interviewed look to cost-saving mechanisms as a way to spread their mission more effectively. If dollars can be saved and put more toward programming, cost savings actually becomes a form of growth for these organizations:

> “Especially in a smaller and growing nonprofit, every dollar is scrutinized. If you do a better job raising funds, your freedom and flexibility grows in decision-making. We use a true nonprofit pay-it-forward model where you have people supporting your mission maybe even just to enable others’ ability to use it” (Melinda Caltabiano, One Love Foundation).

The main emphasis of each organization was to be as efficient as possible with the dollars they collect. Of course, this exists in the for-profit world as well but there is more of a stringency associated with a need to be conservative in the nonprofit world.

4.4.2 Value Creation

Organizations interviewed all found consensus in that the main value they offer stems from their mission; however, the sentiment quoted below was considered equally important across the board:

> “No money, no mission” (Edward Suk, National Center for Missing & Exploited Children).

Whether it be through state governments scrutinizing financials to determine if the organization is performing adequately for continued funding or if the organization’s individual fundraising efforts allow them to put on programming, financial performance is the basic sustaining factor of operations. It is typically the first thing looked to in order to determine the viability of an organization for continuing services.

4.4.3 Relational Networks

In a context so characterized by cooperation and sharing, relationships are a vital component of organizations’ ability to perform at the highest level. Networks and groups of people can open doors for funding options, according to most of the interviews conducted, as summarized below:

> “We get money from the government, individuals, corporations, foundations, etc. So our board members are the first group we reach out to when we need a new relationship, both in partnership form or funding form. They’re our social asset because of the networks they have” (Scott Aminov, American Red Cross).

The board, for many organizations, is the primary catalyst for expansion of revenue streams or donations:

> “I look to my advisory board to help support the foundation, finding other organizations, businesses, and networking opportunities. It’s all about relationships” (Susan Bertrand, Maureen’s Hope Foundation).

Relational networks can also indirectly contribute to the financial performance of an organization through 'free' marketing, as mentioned in section 4.2.3 and echoed throughout interviews:

> "Nothing brings people in faster than somebody who isn't getting paid to say it" (Jennifer Owens, Central New York Community Foundation).

Interviews indicated the wide-ranging influences that relational networks can have in helping develop organizational success.

4.4.4 Profitability

The majority of executives interviewed emphasized return rather than profitability as a key component of successful financial performance, as summarized in the quotation below:

> "It's about return on investment as opposed to profitability. You want to see a nonprofit turn at least 80% of revenue back to the mission. 20% overall expenses is pretty good" (Chris Arnold, Paige's Butterfly Run).

There was a surprising trend, however, throughout interviews, indicating that more nonprofits are looking to be entrepreneurial and infuse some of their operations with for-profit strategies. Again, there is not a focus on profitability, because that concept structurally lends itself better to the for-profit world, but nonprofits are starting to use more creative mechanisms to diversify revenue streams, expand financial capacity, and foster long-term growth, as summarized below:

> "… the key word is sustainable as opposed to profitable. Now we're looking toward more of a revenue-generating avenue where we're asking if we're providing enough value that the providers would pay for some of these services" (Bob Krinitsky, Healthe Connections).

> "I think we've got to get to a point where we're shooting for 1-2% return each year. We're very entrepreneurial and problem-solving oriented. Ultimately, we're trying to flex to meet the needs of the clients that we serve" (Alan Thornton, Rescue Mission Alliance).

The vast majority of responses indicated that an ability to feed revenues back into programming as well as enhancing organizational creativity in developing revenue streams were very important in nonprofit organizations.

Cost structure, value creation, relational networks, and profitability were the four most important components of finances alluded to during interviews. These elements of nonprofit financial performance dictate the organization's ability to serve their mission to the best of their ability.

Again, mission is the most critical component of the nonprofit organization as a whole, based on the findings. The identity, strategy, competition, and finances of the nonprofit organization always ultimately tie back into the organization's desire to achieve their mission.

The interviews during this research reiterated the importance of these four constructs and helped develop a thorough understanding of the workings of a nonprofit organization that tries to achieve success within its space.

5.0 RESULTS

The results presented in this section are based on a comparison of the interview findings of this research delineated in section 4.0 and the literature available on nonprofit and for-profit competitive advantage described in section 2.0. The systematically different purposes of nonprofits and for-profits drive a wedge between the ways in which they fundamentally operate. The results are organized by the same four constructs selected from the literature review and discussed by respondents in the interviews of this research. These four constructs reveal fundamental differences between nonprofits and for-profits at each specific level and also certain areas in which approaches in the two sectors may overlap.

5.1 Identity

In the nonprofit realm, organizational identity provides focus for the members of the organization itself, clarity for the donors contributing to the organization, and comfort for the constituents seeking out the services of the organization. The following sections focus, again, on the purpose, value proposition, and determinants of success of a nonprofit organization and how the responses from interviews in this research compare to the literature currently available on the subject of nonprofit performance.

5.1.1 Purpose

The mission statement is the core of a nonprofit organization (Moore, 2000, Aminov). For-profit entities also have mission statements, but they have the additional purpose of making money (Grant, 2013). It can even be argued that the for-profit mission statement is simply an avenue to the primary goal of profit. Therefore, for nonprofit organizations that have no business driver to make money, aside from bringing in enough to run programming, mission is at the forefront of every decision made (Krudys, Suk).

Oster’s (1995) description of mission, indicating it serves “boundary functions,” limiting the focus of the organization, agrees with the findings of this research. As mentioned in section 4.1.1, interviews indicated that mission informs both internal and external stakeholders of the purpose of the organization; it directs the strategy of the organization as a whole, helping them remain focused in decision-making (Aminov, Caltabiano).

Any entity needs a goal to be able to function in an efficient and targeted manner (Oster, 1995, Grant, 2013). For for-profits, this often takes the form of seeking profit through whatever good or service the company offers (Rothaermel, 2017). However, in nonprofits, the goal is never simply making profit. Therefore, the entire strategy of an organization is developed around the mission (Moore, 2000, Oster, 1995, Aminov, Thornton).

Typically, the missions of nonprofit organizations serve a more basic human need than the sometimes more excessive offerings of for-profit entities. Of course, some organizations also seek to improve quality of life beyond food, water, and shelter, but the constituents are not always as privileged as the typical for-profit customer. Because of this, in general, most nonprofit organizations view differentiation quite differently than the typical for-profit entity (Oster, 1995, Arnold). As opposed to viewing differentiation as a mechanism to outperform competitors, nonprofits see differentiation as a way to enlarge the pie of service for their targeted constituents (Whitfield, Aminov, Van Ryn). These findings largely represent consensus with existing literature that states nonprofit organizations will often work with other organizations in order to solve community issues collectively (Oster, 1995, Brandenburger & Nalebuff, 1996).

5.1.2 Value Proposition

Not only do nonprofit organizations view differentiation slightly differently than typical for-profit entities, but different types of nonprofit organizations also provide varied perspectives on the subject. Depending on the type of constituency served, the need for differentiation and type of differentiation will range.

Organizations that serve a constituency that requires help meeting basic needs find differentiation less essential from the customer-facing perspective (Emick). On the other hand, organizations that serve constituents outside of the typical category of the needy seem to find differentiation a more critical component of solving greater community issues (Mahoney). If every nonprofit can provide a specialization in approach to solving a given issue, the issue will be rectified more holistically and effectively through the works of many organizations together.

As is clear, nonprofit organizations might not view differentiation as a way to prevent their competitors from success. Often, a new idea or system implementation that is successful is one that nonprofit organizations want to see saturated in their surrounding organizations seeking to serve the same cause (Mahoney). Differentiation mostly comes into play in attracting donors who believe that an organization provides a certain service in the best way:

> "It takes everyone working together toward the similar mission. You do your job the way you know how to best, share your mission, and show donors you are spending their dollars wisely and money will come" (Birgie Miller, "DING" Darling Wildlife Society).

Of the foundations interviewed, another important perspective arose. Because these nonprofits gather others' money to redistribute, they are not always serving the needy unless it be through another nonprofit's services which they support (Holtz). Therefore, differentiation from the foundation perspective is primarily effective and necessary to increase the number of donors who will trust the foundation and its value proposition as stewards of their dollars.

5.1.3 Determinants of Success

Furthermore, any organization needs a mechanism through which to evaluate performance. While this may be relatively simple in the for-profit world through accounting instruments, nonprofit organizations must become somewhat more creative in their eveluation methods (Grant, 2013, Rothaermel, 2017, Moore, 2000); nonprofit organizations cannot simply look to profit and other financial indicators to measure success relative to a mission unrelated to making money. Through the interviews conducted, there were four main ways that organizations defined success: meeting demand, metrics, improvement, and ethos.

These first two methods are most alike to the evaluation methods of the for-profit realm, though the type of metrics to which nonprofits look are slightly different. Meeting demand is a typical economic construct that for-profit companies look to in order to understand a gap in the marketplace that might present them an opportunity to provide a good or service. In the nonprofit context, there is a bit of a twist on meeting demand as the organizations that look to do so seem to view their purpose as being an entity that can help as many people in their context as possible versus finding a space to out-perform marketplace competitors (Oster, 2000, Aminov). In many cases, nonprofits struggle to gather adequate resources to saturate their contexts with solutions (Moore, 2000, Arnold). Therefore, an ability to meet the needs of their constituents is a legitimate goal in many cases (Stefanacci, Owens).

Some organizations use metrics to evaluate whether or not they are successful within a given period. These metrics help to quantify the typically more qualitative goals of nonprofit organizations. Again, success ultimately boils down to the purpose or mission of the organization (Moore, 2000, Thornton). In several nonprofits' cases, the mechanism used to evaluate organizational performance relative to the mission was important, indicative business metrics. Where metrics in the for-profit world may include accounting measurements, the findings of this research indicate that metrics looked to in the nonprofit context more commonly revolve around service usage in number of constituents served and longitudinal measurements of continued success of users (Krudys, Thornton). The orientation is overwhelmingly more humanistic in nonprofit metric usage than it is in the for-profit sector, which might simply look at customer satisfaction – not well-being – in loose terms to understand their constituents.

Additionally, general improvement, whether that comes through metrics, programming, or geographical saturation, is another way organizations evaluate success. This evaluation method is more flexible in definition due to its unspecific orientation. This explains why improvement can be so easily applied to both for-profit and nonprofit contexts in evaluating whether or not an entity is successful: essentially one can look to any element of a business or organization to determine if there has been year over year improvement.

Finally, ethos was the evaluation method most starkly different from any for-profit sentiment. In the nonprofit world, with organizations so often characterized by service and helping others, there is a feeling to which many executives interviewed pointed that indicates success in their eyes (Bertrand, Frank, Arnold). Far different from metrics or numerical benchmarks, the feeling that the mission seeks to draw out of its constituents is a quintessential indicator of nonprofit success (Moore, 2000). Each of these evaluation methods indicates the core values of the nonprofit organization and provides further insight into its intended identity.

The comparison of interviews to available literature on the topics of purpose, value proposition, and determinants of success, largely revealed a distinct approach in the nonprofit realm for developing identity. The mission feeds throughout every level of the nonprofit organization and is usually far more humanistic than that of the typical for-profit entity. Therefore, the value that organizations create and the way in which they must evaluate themselves is often different from that which is typical of the for-profit context.

5.2 Strategy

Strategy is necessary for nonprofit organizations to operationalize their mission statements: it consists of the steps necessary to achieve success within the realm of the mission. In order to best serve constituents, organizations must take into account strategy in the form of drivers of the organization, differentiation, marketing and public relations, and human resources.

5.2.1 Drivers

Based on the previously mentioned purposes and success-factors, mission is imperative as the driver and roadmap for nonprofit organizations (Moore, 2000, Aminov, C. Caltabiano). According to Saxton (1995), "[there are] four generic strategies for competitive advantage in non-profit organisations: externally driven, niche, differentiation and awareness." Externally-driven organizations typically get grant or government assistance in funding; niche organizations, also known as issue-driven, revolve around providing a solution to an issue specific to a certain geographic area; differentiation-driven is characterized by a "perceived uniqueness to the donor;" awareness-driven implies that the organization is the first one to come to mind if one were to think of a certain issue in the community (Saxton, 1995).

In terms of Saxton's (1995) strategy categorization, the findings of this research indicate that smaller organizations face a barrier when it comes to developing an externally-driven strategy, and so may pursue one of the other three until they can reach those larger, more consistent funding sources. Overall, as Saxton (1995) emphasizes these competitive strategies as "not mutually exclusive… unlike Porter's [for the for-profit context]," this research found that nonprofit organizations must be adaptable and flexible in their strategy throughout their organizational lifetimes in order to best serve constituents with fluctuation in organizational size and constituent hardship.

5.2.2 Differentiation

In for-profit organizations, in order to achieve competitive advantage, companies usually try to embody a cost-leadership or differentiation strategy (Porter, 1985). Differentiation is achieved when an entity offers a different and better value proposition to its customers or constituents than its competitors (Porter, 1985). Dissimilarly, nonprofit organizations, based on interviews in this research, view differentiation from a different angle. Where differentiation is used as a tool to out-perform competition in the for-profit realm, it is often used as a way to avoid stepping on other organizations' toes and develop different solutions to better solve an issue as a whole in the nonprofit realm (Oster, 1995, Aminov). The vast majority of current literature on nonprofit strategy indicates that cooperation is a critical component of the strategic approach to problem-solving in the nonprofit context (Oster, 1995). Almost all organizations in this research viewed differentiation as a strategy very unique to the typical for-profit perspective. Nonprofit organizations seem to form the way they do, as opposed to a for-profit corporation, because they believe it allows constituents to understand their intentions as public servants without being misconstrued for a solely profit-seeking entity (Krinitsky).

5.2.3 Marketing and Public Relations

Strategy also includes marketing and human resource management. Where marketing is a powerful and omnipresent component of for-profit business, it must be conservatively and delicately approached in the nonprofit context. Organizations run the risk of offending constituents by exploiting their stories of trauma or hardship carelessly and also losing potential donors if those people are concerned that the organization plugs too much of their donated money into advertising campaigns as opposed to directly back into the cause (Stefanacci, Suk). Many of the more critical opinions of marketing within the available nonprofit literature are too stringent in suggesting limitation on marketing material (Warnaby & Finney, 2005). This research indicates a need to strike a balance in marketing: there needs to be enough marketing done so that the mission's reach can be expanded through program growth, while maintaining low margins and respectable interplay between overhead and programming costs (Suk).

5.2.4 Human Resources

Human resource management, in any entity, for-profit or nonprofit, has the potential to be a key driver of competitive advantage. Many interviewees said that the most integral component of their organization was the people who are deeply and personally connected to the mission. In nonprofit, it is understood that the monetary compensation will not likely be at the same standard rate as the for-profit world (Oster, 1995, Grant, 2013, Aminov); in effect, the connectivity to the mission for each employee is critical to job satisfaction and resulting performance. Human resources provide more than just programming and operational contributions too: they can often be an organization's greatest marketing asset through simple word-of-mouth (Owens, Thornton).

Each of these types of strategies – drivers, differentiation, marketing, and human resources – represents an organization's conscious decision regarding how they believe they can best achieve their mission. Every nonprofit organization factors these four components into their organizational strategy. However, these strategies manifest in ways that look different depending on the type of nonprofit at hand and also look largely different than the strategies typical of the for-profit sector. These mechanisms and their differences from for-profit to nonprofit contexts represent an important construct at which to look when comparing the applicability of competitive advantage strategies and frameworks.

5.3 Competition

Nonprofit is a realm that makes competition complex by nature. It is difficult for organizations to accept competing with one another as humanitarians if they are trying to solve the same overall goal. Attitudes toward other nonprofits that could potentially be considered competitors, therefore, were vastly different than approaches common in the for-profit realm (Krudys, Whitfield).

5.3.1 Relationships with Competitors

In the for-profit world, it is often beneficial to have trade secrets or keep strategies strictly within the company so that competitors cannot capitalize on advantages brought on by those methods (Warnaby & Finney, 2005). However, in the nonprofit world, there was an overwhelming consensus and emphasis on sharing of best practices and camaraderie (Oster, 1995, Krudys). The only outlier to this sentiment was that, much like IP protection in any for-profit organization, content that is original and entrepreneurial was still something that nonprofit organizations wanted to keep protected (Suk, Emick).

5.3.2 Co-opetition

The findings of this research were very much in tune with the current writings on co-opetition and the strange, yet vital interplay between competition – typically on the funding side according to this research – and cooperation – typically on the programming side – in nonprofit organizations. Aside from funding, most organizations felt competition in a silo within their own organization to try to innovate and better their individual organization (C. Caltabiano). This is far different from the often ruthlessly competitive nature of the for-profit context. The nonprofit realsm is very unique in that many organizations seek to serve the same or similar goals, but they do not try to “blow each other out of the water” in doing so, like many for-profit companies do (Frank). Again, responses about approach to competition varied throughout interviews with nonprofit executives depending on the nonprofit organization’s model, but many felt competition only on the funding side, if at all. Even with the general understanding of competition on the funding side, nonprofit organizations do not necessarily view that competition on an individual basis of one nonprofit organization against another. Instead, funding competition is viewed more holistically across all different types of organizations as a challenge to accrue as many dollars as possible of the limited ones available in the philanthropic community (Owens, Whitfield).

5.3.3 Competitive Outlook

For organizations with a somewhat more complex model, like ones that incorporate for-profit methods of revenue generation, competition arises with for-profit organizations in their space. For instance, organizations like the Rescue Mission Alliance would fit under Mitchell and Montgomery’s (2010) model of thrift-store partnerships; this organization vividly understands that the same customers who shop at for-profit discount retailers might also shop at their thrift stores, and therefore create competition across for-profit and nonprofit lines.

In looking at competitors, it is easy for a for-profit business to say they try to be better than their competition. However, based on the range of responses aforementioned, nonprofits' view of others in their industry varies. Competition is a difficult concept for nonprofit organizations to master in an environment that is so often characterized by cooperation. It is an important concept to consider and strategize an approach to, though, if an organization seeks to achieve a competitive advantage. This can be accomplished with a thorough evaluation of a nonprofit organization's relationship with competitors, co-opetition, and competitive outlook, which often fundamentally differs from what is seen in the typical for-profit entity.

5.4 Finances

Finally, finances allow organizations to look at programming capabilities quantitatively and clearly, as opposed to qualitatively. Again, there are structural differences between the for-profit and nonprofit realm that cause adjusted approach to finances. In the nonprofit realm, finances include an in-depth consideration of cost structure, value creation, relational networks, and profitability and the effects these financial components have on both the reputation and funding capabilities of the organization.

5.4.1 Cost Structure and Value Creation

In the nonprofit context, an organization that achieves breakeven is typically considered a successful one, whereas a company in the for-profit realm that achieves breakeven would barely be hanging on by a thread. Though the expectations for financial performance are different, the importance of strong performance is not. Organizations must strike a balance in keeping their overhead costs to a minimum, usually below 20% of revenue, while also maintaining an ability to invest in necessary growth mechanisms to better reach the constituents of their mission (Arnold, C. Caltabiano). Organizations must be able to sustain their programming and sometimes even expand their reach if growth is a part of their goals for the period. During the research, it was stated best in an interview as "No money, no mission" (Suk). In order to be able to provide the value they want for their constituents, organizations must be able to bring in a considerable amount of revenue; however, this must be weighed against conservative cost structures within the organization to avoid potential public relations skepticism mentioned in section 5.2.3.

5.4.2 Relational Networks

Another structural difference between for-profit and nonprofit entities exists in the role of the board. In the for-profit world, the board and owners can reap financial benefit from the operations of the company, while in the nonprofit world, the board is entirely volunteer and operates under the nondistribution constraint (Grant, 2013, Oster, 1995). The importance of the board in the nonprofit context, therefore, goes beyond that which a for-profit company might look to them. The board of a nonprofit organization is often the key networking outlet that can indirectly increase funding through fostering relationships with new donors. If organizations cultivate strong relationships with many constituency groups and even stakeholders beyond constituencies, those groups will often act as an advocate for the organization in the greater public. Not only can this bring more attention to the cause of an organization, but it can increase donations and fundraising capabilities through the spread of awareness. On the other hand, the primary responsibility of the board of a for-profit entity is corporate governance, which does not hold quite the extent of weight in importance that the board does in a nonprofit organization. In other words, the board of a nonprofit organization more directly contributes to the success of the entity than does a for-profit board (Oster, 1995, Bertrand).

5.4.3 Profitability

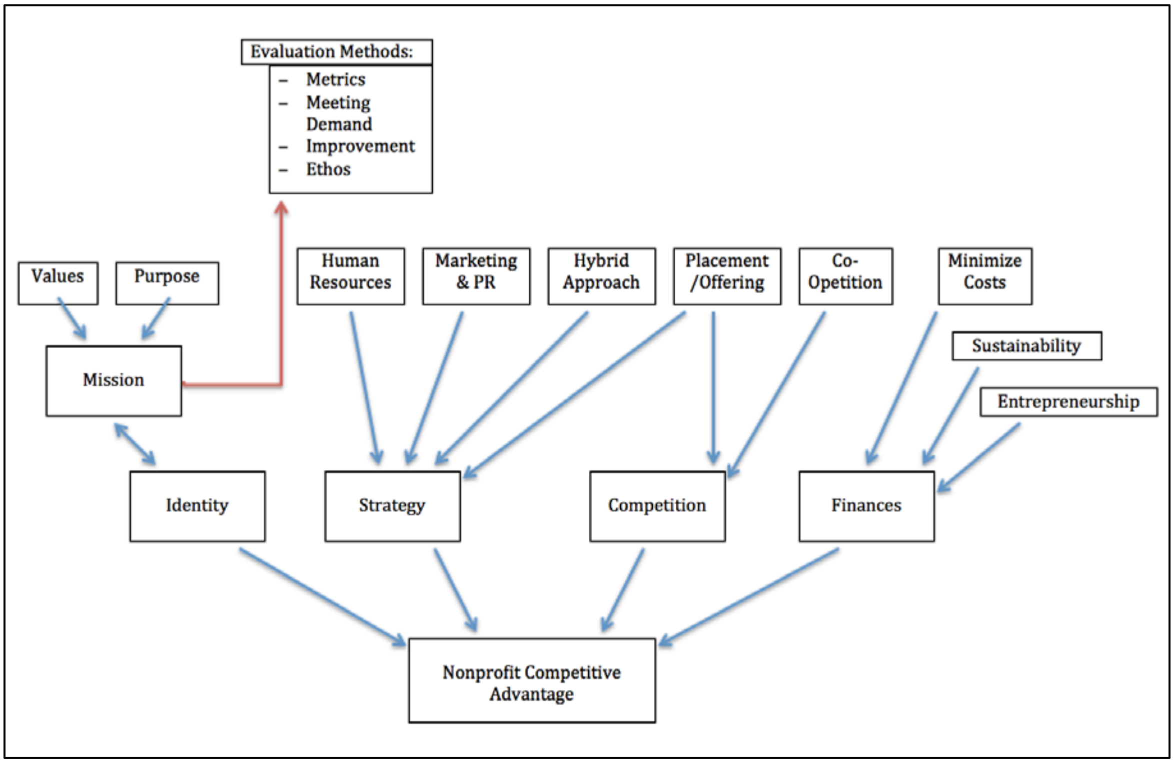
In the for-profit realm, profit is the first thing that companies look to in order to evaluate whether they are in a position to continue operations and be successful in the long-term. However, in the nonprofit world, where break-even is considered a success, profit does not make as much sense to look to for organizational evaluation. Profitability is a concept that structurally lends itself better to the for-profit world, but nonprofits are starting to use more creative mechanisms to expand financial capacity and foster long-term growth. Especially in some of those organizations that overlap into the for-profit world, intentional and well thought-out use of stereotypically for-profit strategies seems to be growing in popularity (Xu & Morgan, 2012, Thornton). Margins will always be tighter than the for-profit realm, simply based on fundamental structural differences with the nonprofit world, but interviews revealed a trend in incorporating growth and entrepreneurship into nonprofit strategy.

The cost structure, value creation, relational networks, and profitability were four critical components of finances that each of the nonprofit organizations interviewed pointed to as paramount considerations in their financial operations and performance. Organizational cost structure and value creation work in a balancing act, relational networks can act as a catalyst for funding, and organizations are increasingly utilizing entrepreneurial methods to diversify revenue streams that can foster long-term sustainability. These components allow the organization to continue operating because without those incoming financial instruments, there would be no means through which an organization could attempt to put on the programming needed to achieve their mission (Suk, Aminov).

5.5 Framework of Nonprofit Competitive Advantage

Taking into account each of these four constructs of identity, strategy, competition, and finances and the consistent echoing of their importance in the nonprofit sector by organizations interviewed and the literature available, the framework of competitive advantage shown below in Graphic 2 was developed.

GRAPHIC 2



As the graphic shows, the four constructs of this research feed into the ability of a nonprofit organization to foster a competitive advantage within their context. First, values and purpose of the organization provide the basis upon which the mission is solidified. This mission then contributes to organizational identity and that identity circles back, based especially on what the organization is good at, and can sometimes lead organizations to adjust their mission. The various ways an organization evaluates their success in terms of achieving their mission include metrics, meeting demand, improvement, and ethos.

The components of strategy must be deliberately selected by each organization depending on their purpose and context. These components include human resources; marketing and public relations; a hybrid approach – meaning an ability to be flexible in operational strategy throughout the organizational lifetime; and the placement or offering of the organization – meaning the organization's ability to differentiate from others if necessary and provide an option addressing constituent hardship unavailable to those constituents from other organizations.

Competition also incorporates the placement or offering of an organization but in a way that helps organizations avoid direct competition with other organizations in their space. This fosters a collaborative environment in the nonprofit context. An organization's placement has the additional effect of encouraging organizations to find innovative solutions to community issues so that the problem can be addressed from 360 degrees. This ability to position the organization in a different space than others seeking to serve the same goal feeds into an organization's approach to competition by allowing them to, counter-intuitively, cooperate with their competitors. Co-opetition is a term that embodies this idea on a more thorough level:

organizations must find a way to work collaboratively on the service side with the same groups they compete with on the funding side. They must strike a competitive balance between cooperation and competition in order to be able to create the best collective solutions for constituents as a group of nonprofits together, without sacrificing too much funding on the individual organization level.

Finally, a need to minimize costs, be sustainable, and foster entrepreneurial approaches to finances are necessary for a nonprofit organization to master in order to develop competitive advantage via finances. The incorporation of typically for-profit concepts like entrepreneurship is trending in nonprofit organizations because they provide new revenue streams that can increase service capabilities.

The four constructs of identity, strategy, competition, and finances discussed throughout the research ultimately formulated the basis upon which success can be developed within a nonprofit organization. They are the fundamental building blocks of nonprofit competitive advantage.

6.0 CONCLUSIONS

Nonprofit organizations are, at their core and permeated throughout every level of organizational activity, driven by their mission in the absence of profit-oriented business drivers. The strategies and approaches to competition that these organizations develop, therefore, are fundamentally different than those of for-profit entities. What makes a for-profit company successful has relatively little value in a discussion of nonprofit success because the two contexts so vastly differ in regulation, attitudes, and concentrations. It is nearly impossible, therefore, to apply current frameworks of strategy and competitive advantage that are saturated with for-profit focus and structural components to the nonprofit realm. It is, however, extremely important for nonprofit organizations to understand ways in which they can tweak their operations and strategies in order to best achieve their mission and serve the constituents they target.

As a result of this research, the framework of competitive advantage shown in section 5.5, Graphic 2 was developed. The mission drives each level of the strategy, approach to competition, and finances of the organization. The interviews conducted with nonprofit professionals in the field today revealed the importance of these four main constructs of identity, strategy, competition, and finances in order to develop a well-rounded, rigorous, and tailored framework of nonprofit competitive advantage.

It should be noted that results of this research and the framework of nonprofit competitive advantage developed might not be applicable to all nonprofit organizations. The sample size of nonprofit organizations included in the research was 20, so the information gathered and analyzed might not be sufficient to blanket over every potential nonprofit looking to foster success. The qualitative approach to this research, which needed to be inductive to begin with due to the gap in information discussed in sections 1.0 and 1.1, was deemed most appropriate due to the amount of variability possible within the nonprofit sector; however, future research will need to round out this research and its results with quantitative data that can develop guaranteed objective results.

Policy makers, practitioners, and academics in the strategic management field specific to the nonprofit context can benefit from a use of this research and the framework of nonprofit competitive advantage developed within it. The importance of the four constructs of identity, strategy, competition, and finances were echoed throughout the research and, if properly and intentionally developed, can lead organizations to maximize their potential and help practitioners further and more rigorously analyze the performance of nonprofit organizations.

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