SECRECY AND TRANSPARENCY IN NONPROFIT ORGANIZATIONS:
If a Nonprofit Prefers Secrecy, What Does It Want to Hide?

Barry D. Friedman, Ph.D. Professor of Political Science University of North Georgia (bfriedman@UNG.edu)	Amanda M. Wolcott, Ph.D. Associate Professor of Management Lynn University (awolcott@lynn.edu)

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ABSTRACT

In this paper, the authors explore the resistance of many--especially large--nonprofit organizations to the practice of transparency. We argue that this resistance reflects the stubborn attitude of elitists who usually govern the nonprofits that ordinary individuals need no more rights and information than the elite class cares to offer them. Organizational leaders withhold comprehensible information about the nonprofits’ finances and records of the boards’ policy deliberations. Suppression of such information denies prospective donors the knowledge that would allow them to make optimal decisions about where to invest their charitable donations. The authors present a summary of 85 Georgia charities to identify independent variables that are related to the charities’ willingness to publicize minutes of their board meetings. Only one independent variable has a statistically significant relationship with the willingness to publicize minutes: That is the availability of audited financial statements on the website. It is difficult to justify donors’ submission of donations to charities that are less than generous in sharing with the public honest information about their operations.

A. Introduction

Many charitable and religious organizations are dependent on the generosity of Americans so that the institutions’ programs can be funded. These organizations benefit considerably from the remarkable extent to which Americans are receptive to charitable solicitations. Additionally, many of these institutions are reliant on Americans’ willingness to donate their unpaid labor, an impressive sacrifice in these organizations’ behalf.

Contrarily, many or most charitable and religious organizations are *not* generous in the least with the information that they gather about organizational processes and with records of the leaders' deliberations about policies, such as minutes of board meetings. That charitable institutions operate on the expectation that Americans will sacrifice money and time but that these agencies hold their cards so close to the vest is a contrast that intrigues and offends many observers. The organizations' leaders and public-relations specialists regularly talk fast to repel demands for accountability and disclosure.

In this paper, we explore these kinds of contradictions, review literature that makes a case for transparency, and propose that Americans might consider directing their generosity to charities and religious organizations that demonstrate respect for their stakeholders' right to know.

B. The Appeal of Corruption and Insider Privilege

All organizations are managed by human beings and their workforces consist of human beings. Many human beings are corrupt, selfish, and callous. Those who have these characteristics start out with or develop the attitude that they deserve more authority and resources than others do. We sometimes speak of someone who was born with a silver spoon in his mouth. Some individuals are appointed to management positions that give them privileged status in their organizations and in the community. Having an advantaged position appeals to such people and, very commonly, their expectations for more privileges increase with the passage of time.

Outcomes of these attitudes and resulting behaviors vary. Some of these notables are eventually memorialized with buildings and roadways that are named after them. Others' arrogance catches up with them, as in the notorious case of William Aramony, late CEO of the United Way of America, whose use of organization resources to live a royal lifestyle is a story enshrined for posterity in numerous books about managerial ethics.

C. The Attraction of Secrecy

Those who operate organizations are attracted by the advantages of secrecy. This is true as much for organizations in the public sector as for those created to generate profit. ". . . [T]oo much is kept secret not to *protect Americans* but to keep embarrassing or illegal conduct *from Americans*," wrote Schwarz (2015, p. 2) in his study of government secrecy. Bennis, Goleman, and Biederman (2008, pp. 20-21) observed:

> . . . [L]eaders often routinely mishandle information, setting a bad example for the entire group. A common malady among organizational insiders is hoarding information. This is one of many ways information gets stuck in organizations and is kept from flowing to those who need it to make

> solid decisions. . . . One reason for the hoarding of information by a small clique of insiders is the all-too-human tendency to want to know things that others do not. . . .

Publisher Joseph Pulitzer explained the necessity--for those engaged in wrongdoing--of secrecy: "There is not a crime, there is not a dodge, there is not a trick, there is not a swindle, there is not a vice which does not live by secrecy" (quoted in Taylor and Kelsey, 2016, p. 13). But Schwarz (2015, p. 3) adds that it is not only corruption that raises a desire for secrecy. "Human nature and bureaucratic incentives favor secrecy over openness," he says. "Secrecy is seductive."

If the purpose of secrecy is to conceal corruption, then, of course, the secrecy is improper. ". . . [I]f you have to keep what you are doing secret, then what you are doing is wrong," Taylor and Kelsey (2016, p. 15) bluntly declare. Secrecy may also be problematic, in any event, if the secrecy emboldens those who have not yet crossed the line to branch out into unethical conduct.

D. The Rationale for Oligarchic Control

In the 1770s, Americans firmly rejected the rule of monarchy and aristocracy and proclaimed the legitimacy of equality, democracy, and liberty. All men are created equal, they declared. The successful American revolution offered the promise of an egalitarian society. The abundance of land in North America offered the opportunity for every family to own land, produce agriculture, and operate as its own profit center among millions of others. The confederal system of governance offered the opportunity for people in states and local communities to govern themselves democratically. Alexis de Tocqueville ([1835]/1956, Ch. 29) described the thriving galaxy of clubs and associations that addressed community problems democratically and voluntarily. "Rule by a few" had given way to "rule by the many." There seemed to be no call for the oppressive force of social class to establish variable levels of social and economic power.

In the late 1780s, Americans engaged in another desperate battle on the matter of who should rule. This one, a bloodless contest, involved the Federalist faction, which wanted to centralize control in a federal system of government, and the Anti-Federalist faction, which wanted to preserve the state and local control established in the Articles of Confederation. The Federalist faction, dominated by the affluent business class, out-organized the Anti-Federalists and succeeded in imposing on American society a federal Constitution, pursuant to which a powerful national government could keep a lid on state and local popular movements.

> . . . [T]he American elite now had a Constitution that would be used (or ignored) to their advantage even to the present day. . . .

> Local opponents [of the proposed Constitution], though they supported state sovereignty through their support of the Articles [of Confederation], were largely common Americans who feared a strong centralized government dominated by the wealthy--a government that, through its power, would deprive them of the liberties they had fought for in the Revolution (Leavitt, 2013, pp. 40, 82).

The Federalist faction's lead spokesman, Alexander Hamilton, would go on to serve as President George Washington's treasury secretary and orchestrate centralized oversight of the economy. The decentralized confederal system preferred by the masses gave way to a hierarchical system preferred and directed by the elites.

While one would expect that the principal beneficiaries of the charitable sector would be people in need, it appears to be inevitable that the sector's institutions will be controlled by relatively affluent individuals who conduct the organizations' business in other than a democratic, egalitarian fashion. In his 1911 book *Political Parties*, Roberto Michels made the memorably chilling statement, "Who says organization says oligarchy" (Michels, 1962, p. 365). Thus, he is credited with the "iron law of oligarchy." That institutions of any significance are controlled by elites who tend to operate the institutions in ways that bring them gratification is no surprise to sociologists, who have studied the phenomenon for many decades. Guo, Metelsky, and Bradshaw (2014, p. 52) wrote:

> Class hegemony theory is a sociological theory which is generally Marxist in origin. . . . It was predominantly used to examine nonprofit governance when such scholarship was in its infancy. . . . Class hegemony theory contends that the upper class dominates key societal institutions through the participation of business elites in the governance of institutions. . . . This theory argues that power is shared by a cohesive upper class of corporate elites who hold a similar worldview . . ., and who have shared interests and common purposes. . . .

The elites govern the organizations and appoint each other to their boards, creating a system of "interlocking directorates." Accordingly, the culture of nonprofit organizations is relatively consistent across the sector. This culture has little to do with democracy and participation in decision making, as Freiwirth (2014, p. 184) explains.

> Traditional governance approaches, based largely on corporate board models and top-down "command and control" paradigms, still dominate in the nonprofit sector. . . . Even though some research suggests that the application of corporate governance models is ineffective for nonprofits . . . they still prevail in the sector. These governance models feature strong, inherent demarcations to separate the board, constituents, stakeholders, and staff, with the executive director often the only link to the various parts of the organization. This type of separation commonly

> disconnects the board and, ultimately, the organization from the very communities they serve. It also often inhibits effective governance and accountability.

1. PRAGMATIC MANAGERIAL AND STATUS ARGUMENTS

The argument that organizations should freely disclose details about its operations appeals to the general public. However, actual decision-makers who could implement politics of openness view the notion of equal access to information with a jaundiced eye. Taylor and Kelsey (2016, p. 24) explain that theories of economics have little regard for the unrestricted flow of information.

> In economics, transparency has no intrinsic moral value and information is not a human right. . . . The economic tradition starts from a position of caveat emptor and requires a justification for imposing transparency based on evidence that it is necessary to prevent fraudulent trading or malfunctioning markets.

Organizational owners, directors, and executives harbor attitudes such as these:

- The organizations' information is the property of the organizations and their leadership. Other members of the organizations and outsiders have no claim on the information, unless laws specify otherwise.

- Disclosure to other members of the organizations and outsiders has no purpose because they are not in a position to do anything productive with it.

- A policy of unrestricted disclosure would compromise the active, productive exchange of information among the leaders. For example, Taylor and Kelsey (2016, p. 34) say, "The main concern about transparency [in government] is the damage it does to the deliberative process."

Many nonprofit organizations' officials react to the concept of transparency as if it is a threat. This is not unlike the frequent reaction of such officials to the concept of democratic and participatory decision-making, which they similarly perceive as a threat. Undoubtedly, the two reactions come from the same place and are directed, essentially, at the same idea--that others have a legitimate stake in what the organization does and, therefore, should be able to influence it. Freiwirth (2014, pp. 184-185) has explained the behavior and the lamentable result.

> . . . [T]he pervasive trend toward "professionalism," with boards made up of "experts" who may not be engaged with the organization's mission, has tended to deepen the class and power divide between boards

> and their communities. Ultimately, these models often prevent nonprofits from being effective--that is, from being responsive, adaptable, and accountable to the communities they ostensibly serve.
>
> Beth Kanter and Allison Fine . . . describe the normative state of many nonprofits as "fortressed organizations" that "sit behind high walls and drawn shades, holding the outside world at bay to keep secrets in and invaders out." Unfortunately, this description applies to the many nonprofit boards that follow traditional, insular governance models.
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> . . . [I]t can be argued that the nonprofit sector should foster and advance democracy and self-determination. If a nonprofit organization is to be truly accountable to the community and constituencies, democracy must be at the organization's core. Yet the nonprofit sector has typically replicated structures and processes that actually *hinder* democracy within organizations. Traditional governance structures not only run counter to democratic values and ideals, but can also impede an organization's efforts to achieve its goals and fulfill its mission. If an organization's constituencies are not included in key decision-making processes, they may be less likely to back the organization with their advocacy, volunteer time, and financial support. Additionally, a nonprofit without such involvement risks arriving at conclusions or decisions that are incongruent with its constituents' needs, even its own mission. . . .

One result of this resistance is that many officials of nonprofit organizations will deem it unthinkable to make the minutes of board and committee meetings available to members, donors, and other members of the public. Irish et al. (2004) observe that civic organizations "should . . . be required to maintain records of meetings of their governing bodies" (p. 68), but the authors don't seem to want anyone else to see them: ". . . [A disclosure] requirement should not extend to the regular meetings of the governing board or other decision-making bodies, which should be allowed to conduct deliberations in private" (pp. 73-74). If such instruments of the nonprofit need to keep their discussions and decisions secret, who are the adversaries who must be kept uninformed about what the decisions are? Are these adversaries the same people whom the organization begs to donate money and unpaid labor?

Secret leadership is deficient leadership. "Self-awareness, openness, transparency, and consistency are at the core of authentic leadership," say Brown and Treviño (2006, p. 599).

Who are qualified to decide what information is or is not disclosed? According to the opinion of organizational leaders as well as the laws, the owners or members of boards of directors are fully qualified to make that determination. For example:

> The board-centered model of governance has been adopted by nonprofit and voluntary organizations throughout the United States to address a number of practical organizational issues ranging from stakeholder management to legal supervision. . . . Historically, the adoption of a board-centered model of governance has been seen as a way for organizations to convey legitimacy, ensure public interest, and preserve traditions of representative institutions . . . (LeRoux and Langer, 2016, p. 147).

The theory that the distribution of information in an organization is based on differential, not equal, access spurs the development of institutional customs about how information is to be exchanged. The "shimmer factor" creates one custom.

> . . . [L]eaders . . . tend to be perceived by many as demigods. And that perception still deters followers from telling those leaders essential but awkward truths . . . (Bennis, Goleman, and Biederman, 2008, p. 24).

Leslie Perlow and Nelson Repenning reported that there is "a basic cultural commandment in engineering[: D]on't tell someone you have a problem unless you have a solution" (quoted in Bennis et al., 2008, p. 31). "Such unspoken professional rules may have a profound impact on how an organization functions" (Bennis et al., 2008, pp. 31-32). Organizational culture discourages employees from sharing bad news with upper management. This is known, according to Swiss (1991, p. 73), as the "Bureaucratic Law of Gravity," or, according to Dickson (2013, p. 133), as "Gray's Law of Bilateral Asymmetry in Networks": "Information flows efficiently through organizations, except that bad news encounters high impedance in flowing upward."

Lest anyone believe that the behavior of keeping secrets is instilled in members of economic organizations without prior experience in their lives, Bennis et al. (2008, p. 34) say that one's first introduction to secret-keeping originates in the family unit:

> Every family tacitly teaches each member four attentional rules:
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> • These are the things we notice.
>
> • This is what we say about them.
>
> • These are the things we don't notice.
>
> • And we never say anything to outsiders about the third category.

It seems that secret-keeping is a behavior learned early in life. It is not difficult to train members of formal organizations to draw on that skill when they are adults.

2. LEGAL PROTECTIONS OF OLIGARCHIC CONTROL

A nonprofit organization is under complete control by its governing board. Alleva, Michal, and Torres (2014, p. 12) explain the extent of responsibility.

> . . . [U]ltimate responsibility for financial management rests with the board. The board sets the tone for the entire organization, not only in terms of mission and policies but also through structure and the individuals charged with executing day-to-day functions. The board sets policy and delegates management to an executive director (ED) and a chief financial officer (CFO) or a controller, accountant, or bookkeeper, depending on the size of the organization, to ensure that its policies arre carried out. Several characteristics are important to board members and managers:
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> • *Care*: High-ranking individuals should attend meetings regularly, exercise independent judgment, and remain informed about the workings of the organization. . . .
>
> • *Loyalty*: Board members and senior staff should not have conflicts of interest that could compromise the ethical standards of the organization. They should also exercise confidentiality by not revealing sensitive organizational, financial, or human resource information.
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> • *Obedience*: Board members and managers should believe in the mission of the organization and protect it.
>
> • *Stewardship*: Individuals should participate in the creation of accountability mechanisms in the organization's policies, programs, outcomes, efficiencies, and finances.

Renz emphasizes that the principal obligation of board members is to "reflect[] well on the work and reputation of the organization." But doing so is operationally defined as protecting the *board*. He states that a board member must "honor and actively support all board decisions, once they have been made, and treat the content of board deliberations with confidence and discretion" (Renz, 2010, p. 136). Thus, if the board has done something improper, a dissenting member can do nothing more than resign. Even his resignation will not release him from the legal duty to keep the impropriety confidential.

The laws and other rules that establish board members' duties of loyalty, diligence, and confidentiality tend to be explained in such a way as to establish that board members may be held accountable should they use their positions for personal gain contrary to the organizations' best interests. This approach assumes that most board members are acting properly, and that a devious board member might act improperly unbeknownst to the rest of the members. Thus, laws and rules demand that board members disclose to the entire board possible conflicts of interest and other threats to the organization's well-being. A more complicated situation involves an entire board running afoul of its legitimate responsibilities.

> The board collectively is responsible and may be liable for what transpires within and what happens to the organization. As the ultimate authority, the board should ensure that the organization is operating in compliance with the law and its governing instruments. If legal action ensues, it is often traceable to an inattentive, passive, and/or captive board (Hopkins and Gross, 2010, p. 58).

Short of the intervention of government authorities, a board--"as the ultimate authority"--is responsible to nobody other than itself. *As a practical matter*, the board is *not* responsible to other members of the organization. It is *not* responsible to donors. It is *not* responsible to volunteers. It is *not* responsible to the local community. If a board member believes that the board is deficient in its service or demonstration of responsibility to such groups, her duties of loyalty, diligence, and confidentiality *to the board--the ultimate authority*--preclude her disclosure to anyone other than the Internal Revenue Service and the state's attorney general. Should the board member disclose to actual stakeholders, she may find herself the target of a lawsuit, and the organization's cost of legal representation will be handled by the organization's treasury. This vicious circle in which the board is responsible only to itself silences board members and deprives the public of information. It is little wonder why the public does not know to this day why Jerry Lewis was unceremoniously removed in 2012 as the master of ceremonies of the Muscular Dystrophy Association's Labor Day telethon. Lewis had nothing to say, and likely was legally constrained by the duty of loyalty, diligence, and confidentiality from explaining to donors and patients why he was dismissed after 45 years as host of the annual event. The public, which donated $2½ billion to MDA during Lewis's run as host and national chairman, would like to know the reason for the falling out in so far as it would help donors make informed decisions about their support, but the law is oriented toward protection of the interests of the organization's remaining leadership.

E. The Logic of Accountability

In a democratic, constitutional system like the United States, every individual and every organization are accountable. As John Adams, second president of the United States, put it, the government system is one of laws and not of men. There are innumerable constitutional provisions, statutes, and regulations to which every American--from the lowliest laborer to the nation's president--is accountable. An individual, a business owner, or a member of a board of directors who acts contrary to the rules risks paying a price for the offense. No one is exempt from accountability. Accountability can be defined as "that obligation on organisations or people to give an account of themselves to others" (Taylor and Kelsey, 2016, p. 64).

While the government's processes of imposing accountability can involve the imposition of frightful penalties--possibly including fines, imprisonment, or capital punishment--other actors may also have enough influence to impose their own accountability devices. Consumers may be offended by a corporate scandal and shift their patronage to other retailers.

". . . [A]ccountability is relational in nature, and it becomes essential to decide who the 'relevant' stakeholders are," Sanzo-Pérez, Rey-Garcia, and Álvarez-González (2017, p. 1599) wrote. Government authorities, watchdogs, financial institutions, and an assortment of stakeholders are potentially motivated to call an organization to account. Taylor and Kelsey (2016, p. 64) explain:

> We use the term "accountability" to refer to political systems through which individuals and organisations can punish or reward on the basis of such information--including both formal and informal systems from social ostracism and media condemnation, through choosing alternatives or actively boycotting particular organisations or services, through voting in elections and challenging in the courts, all the way through to public protest and insurrection. These are all ways in which people are held to account.

Alleva, Michael, and Torres (2014, p. 7) describe "three important questions" facing the nonprofit sector: (1) "how to define the value of work being done," (2) "how to measure that value," and (3) "how to ensure that revenues . . . maximize returns on investment and are spent according to the highest standards of accountability and transparency."

It may be helpful to develop a list of the people and organizations to whom nonprofit organizations--notably charities--are responsible.

1. GOVERNMENT

Nonprofit organizations would be all but above the law were it not for the Internal Revenue Code and the Internal Revenue Service's enforcement of the code. Hopkins and Gross (2010, p. 60) explain:

> At this time, . . . there is little federal law applicable to the governance of tax-exempt organizations. Although a few provisions of the Sarbanes-Oxley Act passed in 2002 apply to nonprofit organizations, Congress has not yet enacted laws that affect the governance, oversight, and management of nonprofit organizations to any significant degree.

Each large nonprofit is required to file a Form 990 return, which involves information about revenues and expenditures, top executives' pay, and a variety of compliance issues. Upon Congress's enactment of the Pension Protection Act of 2006 and the completion of the IRS's strategy to implement the law, *every* nonprofit organization became obligated to file some form of a 990 return. Even the smallest nonprofit organization fails to file a 990-N electronic ("postcard") return at its own peril. After three consecutive years of noncompliance with the filing requirement, a nonprofit will lose its tax-exempt status. The information that appears on the various 990 forms becomes a public record.

Most state governments have few laws pertaining to nonprofit organizations and little enforcement activity. Hopkins and Gross (2010, p. 60) report:

> Certain states have enacted laws regarding the accountability of nonprofit organizations; the state of California has the most extensive set of rules concerning governance and accountability of nonprofit organizations, mainly due to the state's enactment of the Nonprofit Integrity Act in 2004. Most state provisions, to the extent they exist, require audited financial statements for nonprofit organizations with revenues in excess of a certain threshold.

Mulgan (2014, p. 7) is unimpressed by the extent to which nonprofit organizations are accountable to government agencies.

> [Nonprofits], such as charities and churches, are even less transparent and accountable to the public [compared to business firms]. They tend to place a great deal of trust in the professional dedication and altruistic commitment of their members and see less reason to subject themselves to extensive public scrutiny. . . . Public regulation of charitable organizations is generally patchy and superficial.

The level of accountability *will* rise somewhat when nonprofits are spending government-supplied grant money. When charitable organizations receive grants from government agencies, the agencies inevitably specify standards of accountability. Alleva, Michael, and Torres (2014, p. 8) explain:

> Government underwrites social investment, and the elected officials who approve the budgets from which so much grant and program funding is primarily drawn are primarily interested in three things:
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> - Appearing to do something about the social problems that bedevil our society.
> - Equitable distribution of resources among issues and the organizations that exist to address them.
> - Keeping within the letter of the law.

> As a result, most social service organizations and their elected funders are activity driven and activity oriented, focusing on the "how many" questions: How many meals were cooked and served in the soup kitchen to how many people? How many middle schoolers attended the after-school program? The advent of categorical funding inexorably led to a focus on head counts.

2. FOUNDATIONS AND OTHER ORGANIZED FUNDERS

Nonprofit organizations are aware of the need to practice "upward accountability"--accountability to their sources of funding. Sanzo-Pérez, Rey-Garcia, and Álvarez-González (2017, p. 1599) write:

> , , , [H]ierarchical accountability "is narrowly functional, short-term in orientation and favors accountability to those stakeholders who control access to key resources for both resource use and immediate (campaign) impacts" (O'Dwyer and Unerman 2008, p. 803). This approach emphasizes accountability to powerful patrons (upward accountability)--donors and governments--thus narrowing accountability relationships (Ebrahim, 2003a, b, 2005). On the one hand, holistic accountability "considers multiple stakeholder groups, with a significant emphasis being placed on downward accountability to beneficiaries (Dixon et al. 2006) in addition to upward accountability to donors and governments" (O'Dwyer and Unerman 2008, p. 804). New [information and communication technologies], and Internet-based ones in particular, facilitate the implementation of holistic accountability (Vaccaro 2012).
>
> The second motive why implementing nonprofit accountability is so arduous lies in the difficult balance between "the instrumental, resource-seeking, and practical dimension . . . and the expressive, value-oriented, and resource-consuming dimension" that distinguishes [nonprofit organizations (NPOs)] from other types of organizations. NPOs must fulfill instrumental accountability to strategic resource providers, be [they] external--the case of business partners--or internal--such as paid staff--but at the same time they must commit to their expressive accountability to the community, to the organizational mission, and to clients and members, or they risk losing their very reason for existence (Knutsen and Brower, 2010).

3. WATCHDOGS

In so far as laws and court precedents do not recognize donors as having standing in terms of extracting information from an organization, beyond what laws and regulations require, donors must take specific steps to obtain information that they may want. In other words, a donor or some separate watchdog organization that attempts to represent the interests of donors (such as the Better Business Bureau's Wise Giving Alliance, Charity Navigator, and GuideStar) may ask for the information--and criticize the charity for being unwilling to offer it--or insist on a contract that specifies what kind of information one or more donors want and will receive.

Generally, the watchdog organizations obtain and process information that appears on charities' already available 990 returns. However, the watchdog organizations may also survey the organizations about various aspects of their governing and management practices.

Other types of information may be difficult to come by. Irish, Kushen, and Simon (2004, pp. 72-73) state:

> Donors to a formal civic organization are entitled to contract for disclosure of information adequate for the donor to assess the suitability of the civic organization for receipt of donations and the use(s) to which donations, or that particular donor's donations, are put.
>
> . . . The reporting requirements imposed by donors will be contractual obligations enforceable in court. Generally speaking, it is up to each donor to require whatever information it wants from a civic organization. As a matter of best practice, however, donors should impose conditions that will require civic organizations to be accountable to their beneficiaries, to maintain adequate financial records and statements, to avoid conflicts of interest, and to comply with other good management practices. By imposing appropriate contractual conditions, donors can play a significant role in assuring the health and proper operation of the civic sector. It would be desirable for donors, public and private, to meet and agree among themselves what the minimum reporting requirements and performance for grantees should be and to standardize them to the extent possible.

That "it would be desirable for donors . . . to meet and agree among themselves" suggests that no such thing will happen in reality. There is no substitute for inside information that arises in "real time." It is difficult to ask questions about a subject that is concealed behind closed doors.

4. NEWS MEDIA

Perhaps one way to approach newspaper and broadcast-news editors' decision-making processes concerning how much association news to publish is to relate the three general models of how journalism can promote democracy. Schudson (1999, pp. 119-120, emphasis added) describes the market model, the advocacy model, and the trustee model. His description shows the tremendous tension with which reporters must deal: On one hand, they attribute to themselves a lofty duty to inform the public, but, on the other hand, they are employees of profit-making enterprises that must enhance the bottom line, often to maximize the wealth of stockholders.

> To oversimplify dramatically, there have been three general models in American history of how journalism might serve democracy. These are the *market model*, in which journalists serve the public best by providing whatever the public demands; the *advocacy model*, in which journalism serves the public by being an agency for the transmission of political party perspectives; and the *trustee model*, in which professional journalists provide news they believe citizens should have to be informed participants in democracy. I discuss each of these models briefly and try to explain the challenge public journalism poses in urging a revised *trustee model* on the press.
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> In *market model* journalism, journalists should seek to please audiences or, at least, those audiences that advertisers find attractive. Whatever these advertiser-friendly audiences demand, they should receive. Consumer demand is the ultimate arbiter of the news product. *Market model* ideologists may speak of democracy or at least of consumer sovereignty, but they do not mean it: The consumer is sovereign only as long as the consumer is willing to choose among commercially viable choices, only as long as consumer preferences are to be evaluated in the short run, and only as long as consumers with more dollars have more say than consumers with less.
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> *Market model* journalism is anathema to journalists themselves. They may cite it in apology for what they do, to explain why their best efforts are often thwarted, but they never refer to it as an ideal or aspiration. It is the model of the business office, not the newsroom. This gives it enduring influence; for instance, it almost exclusively governs all local television news. But it is the model that any self-respecting journalist fears and loathes. . . .
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> In *trustee model* journalism, journalists are to provide news according to what they themselves as a professional group believe citizens should know. The professional journalist's quest for truth and fairness, exercising sound and critical judgment as measured by a jury of peers, should dictate the shape of the news. Journalists ordinarily accept the *trustee model* as the only alternative to *market*-driven journalism. Journalism is understood as a constant battle between the bad guys

> upholding *market model* news (i.e., the business office, the deal makers, and the Frank Munseys and Rupert Murdochs) and the good guys upholding *trustee model* news, the dedicated, professional journalists who speak truth to power and follow the story wherever it may lead, whomever it may embarrass, and however few readers it might attract.
>
> In this model, journalists imagine a public that is often too preoccupied and too distracted to be sovereign of its own citizenship. Citizens then entrust a measure of sovereignty to journalists just as people entrust a measure of control over their bodies to doctors. The journalists are professionals who hold our citizenship in trust for citizens and whose expertise or political analysis citizens rely on when they want information about the state of the country.

But Stiff (1984, p. 9) says that news organizations have a duty to promote and perpetuate themselves, thus justifying that kind of activity.

> The business side of our newspaper has an absolute right to meet its corporate responsibility as a good citizen and do what it can to defeat a threat to the state's future economic health. Business success is necessary if we are to fulfill our First Amendment responsibilities and our community obligations.

Thus, journalists are left in a quandary. The factors that militate in favor of giving in to the pressure to deliver what an audience wants to read or hear are these: (a) Reporting news that few people want to read or hear is very much like talking to a wall. What productive use is there to communicating in a figurative vacuum? (b) A reporter's ambition to become prominent and to have her work recognized by peers can be obstructed by the lack of interest in her reporting. (c) Failing to attract a readership or viewership constitutes a hardship to the employer. What fulfillment is there in undermining the prosperity of one's employer? The factors that argue in favor of honoring the culture of journalism are these: (a) A journalist's credibility is based largely on appearing to be independent of such matters as who the advertiser is; what party or cause his editor, publisher, or broadcast licensee is affiliated with; or the journalist's own personal affiliations, ideology, and predilections. (b) Participation in boosting causes and in reporting "puff" pieces diminishes the reporter's apparent stature. (c) Being associated with causes, candidates, advertisers, etc., can cause embarrassment to the reporter if any of those entities performs questionable actions later on.

There is a movement advocating "public journalism" that seeks to put the stamp of credibility on newspapers' involvement in organizing the community instead of simply reporting about it.

If a reporter seems critical of one or more nonprofit organizations, the editor-in-chief may tell the reporter about negative feedback, or the editor of the letters-to-the-editor column may print letters denouncing the reporter's work.

> Newspapers which wish to survive must think long before offending a strongly organized group such as the Chamber of Commerce, Ku Klux Klan, American Legion, Daughters of the American Revolution, Anti-Saloon leagues, American Federation of Labor, the Townsend clubs, ministerial associations and others which are or have been powerful (Smith, 1999, p. 237).

In this regard, Woestendick (1984, pp. 74-75) tells a riveting tale about his school newspaper's exposé of irregularities in the football program.

> When I suggested to our staff at the [University of] *Arizona Daily Star* that we ought to check out the University of Arizona football program . . ., I had no idea where it would lead. . . .
>
> As our reporters began an intensive investigation of every aspect of the football program, I became the target of a vicious campaign by the community.
>
> In more than 35 years in the business, I have never been vilified or threatened more. And this time the threats and the anger came not from the gun nuts or religious fanatics but from business leaders, wealthy alumni, the president of the university and other prominent citizens.
>
> Business leaders met with me at a secret breakfast to tell me that we could not continue with this investigation because we would be destroying not only a great football program but a great university and a coach and his family. Automobile dealers threatened to boycott us—and eventually did. I was told that I was going to be run out of town and received letters threatening harm to my family. . . .
>
> Other media in the city, including the television stations and the sports department of the opposition newspaper, ripped us unmercifully. . . .
>
> The *Arizona Daily Star* won the Pulitzer Prize for the investigation.

Less riveting, but more frequent on a routine, day-to-day basis, is the promotion of nonprofits that appears in newspapers and on radio and television news programs. In the case of metropolitan newspapers, the helpful coverage (such as announcements about coming events and opportunities to participate, volunteer, and donate) may be placed in Sections C or E or H--a safe distance from the "hard news" that the newspaper's ace reporters write for the front page. It is not considered a breach of journalistic independence for the newspaper's staff to showcase the nonprofits on the back pages, where the nonprofits reside alongside the movie-theater schedules, celebrity gossip, the horoscope, and Dear Abby.

The cleverly manipulative and deceptive nature of the fund-raising telethons explains why television news anchors invest their credibility in something so misleading that they ought to be giving these spectacles a wide berth. Bakal (1979, pp. 354, 360) quotes Norman Kimball, who has produced telethons for United Cerebral Palsy and for several other charities: "No telethon can make it on just on-the-air pledges, which are generally much smaller," Kimball said. "Besides, I can take our pretel money, which this year amounts to $500,000, or about 20 percent of the total we hope to get, and feed it into the tote board at regular intervals or, at certain times, to boost our total for dramatic impact—prime the pump, so to speak—particularly when our phone response is not as effective as we want it to be." Bakal describes Kimball's activity at one such telethon: "To reach this mark, Norman has fed $20,000 of pretel money into the tote board, the balance of the $78,000 boost coming from the phone pledges, according to Accounting figures. 'Every time I make a feed of my own, I'll make a deduction on these cards in my hand, and I'll tell Accounting on the other side how much money I'm putting in so that they can add this to their total,' he explains. 'I started using the advance money sometime Sunday morning and by noon today I had used up about one-fifth of the half a million dollars I started with. This means that from noon on I was hung up with four-fifths of the advance money, roughly $400,000. Now you can't feed this into the tote board at one fell swoop. You have to divide it into a number of pieces so that the feeds look reasonable, like they're part of the response of the community. So what I do is take the hours from 12 noon to six and divide the remainder of my advance gifts by six. I then know that every hour I have to slowly feed in an average of $65,000 or $70,000 of the money.'" The implications to television news organization's "on-air talent" are clear: By standing in front of a scoreboard showing how many tens of thousands of dollars have been raised, they are, in all probability, reporting inaccurate numbers deliberately designed to mislead--and agitate--viewers so that they will call in pledges. This leads to our observation that broadcast journalists interested in an informed public should avoid any association with these events.

Whether the information to make thoughtful judgments is actually reaching the general public is a matter, we would say, of substantial doubt. This leaves the question about accountability of the nonprofit organizations and the ability of individuals to make informed decisions. Erika F. Archibald, president and founder of PR for Nature, says that the public-relations managers of nonprofit organizations are adept at heading off embarrassing situations.

> Nonprofit PR people keep a really good eye on the organization. If they see a problem in the organization, the PR people try to stop it. They

> have to identify weaknesses and problems. PR people look at problems occurring in similar nonprofit organizations.

To the extent that these efforts reduce the incidence of improprieties, they are valuable in and of themselves. On the other hand, even those nonprofit organizations that are caught with their "hands in the cookie jar" seem to be remarkably immune to being held accountable. If Levine's analysis is correct, nonprofit organizations may even prove--ironically--to be *better off* after being scandalized!

> You've probably heard that the Chinese character for crisis is also the character for opportunity. A well-planned crisis media response can actually build your reputation and create a positive outcome for your nonprofit.

Heavens to Betsy! Levine offers a "how-to" formula for planning for, and then handling, a crisis.

> Developing strategies to handle crisis are of tantamount importance to the PR professional, because the worst part about a crisis is not in the immediate moment but in the long shelf-life that they continue to have years and years [afterwards].
>
> . . . In such a case, much of the publicist's task involves basically reminding the public of the client's solid, ethical core so that people will frame their perceptions with that essential point in mind.
>
> First, it helps if you plan right now to implement a strategy of openness in the event of a crisis occurring to your organization. Make a commitment to honesty and integrity in dealing with the press rather than initiating a campaign of lies and self-protectionism.
>
> Secondly, develop a long-range crisis plan that accounts *now* for the many decisions you won't have to make in the midst of a crisis (Levine, 1998, pp. 263, 265, 267).

The concept of accountability is, therefore, turned on its head. There is money to be made from a scandal. The lesson that individuals would have to learn from these approaches is, of course, "*Caveat emptor*."

Accordingly, if the public is deceived and donates to nonprofits that are acting in their own self-interests, the following outcomes result.

- There is an unwarranted depletion of the donors' resources. Donors are entitled to the use and enjoyment of their wealth, in preference to aggrandizing those who claim to act in altruistic interests but who are actually acting in their own interests.

- The availability of resources to alleviate resources may be less than would otherwise be the case, if nonprofit managers are drawing off donations for their own benefit instead of to the benefit of disadvantaged individuals. Furthermore, unproductive soliciting may sap the energy that might otherwise go toward actually solving social problems. Smith says: "Obviously, most of the charitable and philanthropic activities of the press merely scratch the surface as far as alleviating the situations inspiring them. More than a decade of almost continuous depression has taught Americans that neither breadlines nor made work is the remedy for unemployment and its underlying causes. Except as it prints articles and editorials by experts in economic and social problems, the newspaper does not contribute to the excavation work needed to uncover the roots of the trouble" (Smith, 1990, p. 169).

- A vicious cycle may arise, in which the generating of benefits to nonprofit managers acting in their organizations' and their personal interests encourages the perpetuation and expansion of the greedy practices.

- The vicious cycle causes a distortion in the distribution of resources in the economy, with resources heading toward unproductive rather than productive destinations. Misinformation violates an assumption of economics—*viz.*, that participants in the marketplace are acting with the benefit of complete information about the transactions into which they enter.

- A "drop-out" effect, in which some individuals, who might otherwise be benefactors, might withhold their donations can result, if these would-be philanthropists are aware of the problems with deception. If the dropouts tend to be the *most* informed individuals, then the *least* informed individuals are the ones determining which charitable organizations are most prosperous, another distorting influence.

These outcomes argue in favor of more information and better analytical reporting about nonprofit organizations and their appeals for public support.

5. INDIVIDUAL DONORS

Alleva, Michal, and Torres (2014, p. 9) write:

> [Charity Navigator] is firm in its belief that

> ● Charitable donations should not be mere monetary gifts but rather social investments.
>
> ● An informed donor is the best social investor.
>
> ● Effective organizations represent the wisest and most meaningful investments.
>
> ● An organization's constituents deserve the best information to guide social investment decisions.

Behn, DeVries, and Lin (2010, p. 7) state:

> While the goal of for-profit institutions arguably is profit maximization, nonprofit organizations strive for other goals. However, efficiency and ownership issues do exist in nonprofits. For example, donors want funds to be used efficiently, and not on bigger bonuses and better offices for officers, or for non or low-value added conferences and travel. While not publicly traded, nonprofit organizations compete for resources, whether funding, labor or managerial talent; therefore, they too have economic incentives similar to publicly traded firms without the ownership structure.

6. VOLUNTEERS

In exchange for their unpaid labor, volunteers are emphatically entitled to enjoy certain rights appropriate to their status and sacrifice. Ilsley (1990, pp. 130-131) comments:

> . . . [M]anagers should never lose sight of the fact that the true strength of voluntarism lies in the forums it provides for involving citizens in public life and keeping our institutions alive and responsive. Making sure that volunteers participate as much as possible in all parts of an organization and that their input is welcomed and utilized is one of the most important parts of a volunteer manager's job, for doing so can produce both deeper volunteer commitment and a more viable, flexible organization. The following suggestions may help volunteer coordinators increase volunteer participation and input.
>
> • *Allow volunteers to have a voice in designing procedures. . . .*
>
> • *Allow volunteers to take part in organizational decision making. . . .*

> • *Encourage volunteers to examine, express, and act on their values. . . .*
>
> • *Provide forums in which volunteers can discuss ideas, opinions, and feelings. . . .*

The reward for the organization that provides this recognition of volunteer rights and that shows a respect for volunteers is loyalty from the volunteers. Speaking of public-sector volunteer programs, Brudney (1995, p. 48) observes:

> Just as for paid staff, citizens [volunteers] are more likely to accept and endorse organizational policies and programs, and to generate useful input regarding them, if they enjoy ready access to the decision-making process. Participation is key to *empowerment* of volunteers. . . . Empowerment is thought to result in increased feelings of personal commitment and loyalty to the volunteer program by participants and hence greater retention and effectiveness. . . .

On the other hand, when American Red Cross field volunteers in Northeast Georgia decided to protest the Northeast Georgia Chapter board's decision to withhold staff support from them, they asked various chapter, regional, and national officials to provide contact information for the members of volunteer leadership committees to whom they could deliver petitions. Friedman (1997) continues the story:

> On January 9, 1996, this author wrote to ARC officials at the local, state, and national level, and invoked the Freedom of Information Act (FOIA), on account of ARC's quasi-governmental status, to obtain the names of Red Cross leadership volunteers at the state and regional levels. [Carol H.] Rittenhouse[, manager of ARC's Georgia Field Services], who had originally agreed to release the state list and then reneged, reversed herself and finally released the state list. But [Michael L.] Bennett[, executive officer of the Southeastern Region of the Red Cross,] continued to conceal the names of the members of the regional committee. On January 25, 1996, this author received a letter from Katherine Simonetti, associate general counsel in ARC's Office of the General Counsel in Washington, D. C., with this reply to the FOIA request:
>
>> In response to your letter of January 9, 1996, which you copied to Richard Dashefsky, General Counsel, please note that as the Red Cross is not a government agency and makes no governmental decisions, it is not subject to the Freedom of Information Act. Consequently, the Red Cross is not obligated under FOIA to provide to you the information which you requested.

> Understand, then, that the Red Cross wants *your* money, unpaid labor, blood, and bone marrow--but for its part *it prefers to operate in secrecy* and to be governed by committees shrouded in anonymity.

7. RECIPIENTS OF SERVICES

Probably the most conspicuous purpose of charities is to redistribute resources from well-off people to disadvantaged individuals. Arguably, the most numerous stakeholders of the nonprofit sector are those who--because of unemployment, disability, illness, caretaking responsibilities, natural disaster, and similar factors--cannot afford on their own to acquire the necessities of life. When a redistributive charity operates, the charity's directors, managers, employees, and volunteers are obligated to use the donations to alleviate the suffering of the intended beneficiaries.

> Does the organization *belong* to others? Yes, in several ways. First, the board of directors of a 501(c)(3) does not represent stockholders as a for-profit corporate board does. The board represents *stakeholders*, people who are involved with the organization--the people it serves, the community in general, funders, staff, and volunteers. All are joined by a common interest and stake in the organization's outcomes.
>
> Second, the organization uses resources *that have been purchased by the funds of others*. While it's true that the organization earns these funds from others, it is also accountable to them to deliver the outcomes promised in the mission (Brinckerhoff, 2004, p. 26).

It is impermissible for the organization's leadership and staff to benefit from the organization's operations by absorbing a disproportionately large amount of the resources and, therefore, impeding the redistribution of the resources to those in need, the intended recipients.

F. The Argument for Ethical Practice

1. PRIVILEGED STATUS OF NONPROFIT ORGANIZATIONS

The United States has a long history of offering privileged legal status for philanthropic and religious organizations. Governments at various levels offer to these organizations exemptions from income tax, state sales tax, and local property tax. The Internal Revenue Service and other agencies have a hands-off policy with regard to churches in deference to the First Amendment's free-exercise clause. The privileged status is connected to an expectation that nonprofits will contribute to the public interest. Jeavons (2001, p. 109) writes:

> [Nonprofit] organizations are given a special standing, and even certain legal advantages over other private organizations, on the basis of the promise that they will serve the public god. The public expects these organizations to be motivated by and adhere to such a commitment in their performance.

Brody (2002, p. 477) said, “Accepting nonprofit status as a signal of trustworthiness[] bestows a halo on any nonprofit organization regardless of merit.” The assumption that nonprofits are committed to societal well-being more or less disarms the public, because Americans do not subject charities to scrutiny when deciding whether and how much to donate. Fund-raisers are well aware of the gullibility of Americans, who, in studies conducted by newspapers and researchers, have been found to donate willingly to a “Heroin Fund for Addicts,” an “American Communist Refugee Fund,” a “National Society for Twinkletoed Children,” a fund to “Help Buy Rustproof Switchblades for Juvenile Delinquents,” a “National Growth Foundation for African Pygmies,” and a “Fund for the Widow of the Unknown Soldier” (Bakal, 1979, pp. 289-290).

2. THE PUBLIC INTEREST AND STAKEHOLDERS

Taylor and Kelsey (2016, p. 62) state that people call for transparency when they believe that “someone is getting away without something they should not” and someone else is being mistreated.

> We . . . focus our definition [of transparency] on those who lose out as a result of lack of transparency since, in the main, they are the people motivated to use transparency to change things.
>
> . . . People who are calling for transparency may be certain--or may suspect--that somebody is doing them wrong. Either way, what they are seeking is the information to evidence their beliefs or suspicions. The role of transparency is to enable competing claims to be tested and evidenced.
>
> People want this evidence in order to be able to do something. The information has no power in and of itself. It only brings about change to the degree that better evidence enables more effective use of the various mechanisms through which information can be turned into pressure for change--through political pressure, market pressures, or . . . discovery and learning. Transparency is there to improve the effectiveness of accountability systems, market systems and systems for discovery and verification. It needs to be defined in terms of the needs of people using these systems.

Bennis, Goleman, and Biederman (2008, p. 3) similarly explain, “When we speak of transparency and creating a culture of candor, we are really talking about the free flow of information within the organization and its many stakeholders, including the public.”

At the international level, Bishop (2012, p. 18) reports, nongovernment organizations are asserting that “access to information is, in fact, a universal human right under international human rights law.” Morrison (2014, p. 112) identifies historians, journalists, and police detectives as professionals who depend on access to information to do their jobs.

Gordon (2014, p. 193) states:

> . . . [I]nformation asymmetry is also relevant to government transparency and brings up what is known as the “principal-agent” problem--referring to situations in which it is difficult to monitor the behavior of one’s rights.

Principal-agent theory refers to a range of relationships in which a person (the “principal”) has a need that he cannot resolve on his own--because he lacks the equipment, manpower, or expertise to do so--so he appoints an entity (the “agent”) to help him. The principal now has a challenge--i.e., to monitor the agent’s conduct to ensure that she is acting in the principal’s interests rather than acting solely to advance her *own* interests. This theory is applicable to the topic of nonprofit transparency. In this context, the principals are the public in general and the assortment of stakeholders who, based on laws, rules, and written and oral agreements, have expectations that the nonprofit will be the agents that will serve the public interest, fulfill community needs, alleviate deprivation and suffering, and recognize and reward philanthropy. Naturally, the principals require information to monitor the nonprofits’ fidelity to their obligations. That these agents are acting ethically is deemed a legitimate societal expectation. The concepts of accountability and transparency are integral to the rationale that the principals are legally and morally entitled to confirm that their interests are being served by the agencies.

3. CONTRIBUTION TO BENEFICENT SOCIAL RELATIONSHIPS

Economic prosperity is facilitated when trusting people who have money to spend or invest put their money into circulation by purchasing goods and services, donating it, or investing in stocks and bonds. Auger (2011, p. 22) writes:

> . . . [A] positive attitude leads to positive behavioral intentions. As an attitude, positive trust should be related to positive behavior intentions, including the intent to remain a customer or client rather than seek an alternative provider. Conversely, without trust, consumers do not

> purchase, donors do not give, shareholders do not invest, employees are less effective, and governments are skeptical of both for-profit and nonprofit organizations (Bandsuch, Pate, and Theis, 2008; J. E. Grunig & Huang, 2000).

When a consumer buys a higher priced brand-name product rather than a lower priced generic equivalent, the consumer is demonstrating trust in the established manufacturer.

The trust of American consumers is perpetuated by the assumption that the government is influencing providers of goods and services to act responsibly and honestly. How effective the government's regulatory agencies are in holding providers accountable is anyone's guess. Our experience is that most complaints to the U. S. Federal Trade Commission (FTC)--whose duties include enforcement of truth-in-advertising and truth-in-labeling policies--result in responses that indicate that no intervention is likely. In so far as energetic intervention by the FTC, the Consumer Product Safety Commission, the Food and Drug Administration, and other agencies is episodic and allows countless abuses to go unaddressed, their *purpose* is to create the impression that it is rational for consumers to spend their money confidently in the marketplace. Consumer confidence is necessary for a healthy economy.

Bennis (2008, pp. vii-viii) has assigned the function of developing trust to organizational leaders. He reflects:

> As someone who has devoted much of his life to the study of leaders, I find myself talking about transparency--and thus about trust as well--whenever I talk about leadership. An inclusive and appealing word, transparency encompasses candor, integrity, honesty, ethics, clarity, full disclosure, legal compliance, and a host of other things that allow us to deal fairly with each other. . . .
>
> Trust and transparency are always linked.

Auger (2011, p. 55) says that "transparency and its related attribute of trust are important for all organizations." But, she adds, "the need for transparency is different for a charitable nonprofit than for a business entity." Bekkers (2003, p. 596) continues the argument:

> Philanthropic organizations depend on the public's trust. Donors often do not know what happens exactly to their donations, how much is saved for overhead costs, and where the money is actually spent. This lack of transparency is dangerous because an occasional media report of poor performance and misallocation of funds may easily scandalize the entire philanthropic sector.

Jeavons (2001, p. 109) portrays the relationship between nonprofits and members of the public as being based on a special social contract.

> There exists . . . an implicit social contract undergirding the presence and function of private nonprofit, especially philanthropic, organizations in our society. These organizations are given a special standing, and even certain legal advantages over other private organizations, on the basis of the promise that they will serve the public good. The public expects these organizations to be motivated by and adhere to such a commitment in their performance. The public also expects that these organizations will honor a set of widely accepted moral and humanitarian values--deriving from these organizations' historical and philosophical roots--and that they (virtually) never act in a self-serving manner.

G. The Rationale for Transparency

1. THEORETICAL JUSTIFICATION

Democracy without transparency is a figment of the imagination. Says Blind (2014, p. 6), ". . . [O]pen communication and free flow of information, answerability to citizens and accountability, and corruption control are essential ingredients of democracies." Officials of democracies embrace the principle of openness about as much as do officials of tyrannical regimes. Bureaucrats have a natural predilection for secrecy. (See the editorial cartoon on the next page.) If government officials habitually disclosed information about what they are doing, there would be little need for a literature that makes a case for transparency in government. Some founders of American democracy made the case for openness. Thomas Jefferson wrote, "The basis of our governments being the opinion of the people, [the people must have] full information" (quoted in Schwarz, 2015, p. 18). Philip Freneau, editor of the *National Gazette*, the principal organ of Jefferson's Democratic-Republican party, criticized the U. S. Senate's practice of meeting secretly, equating it to "the secret privileges of the [British] House of Lords" (quoted in Schwarz, 2015, p. 21). The Senate relented, but other government entities opted for secrecy. As the national government's "administrative state" was developing, Congress enacted the Administrative Procedure Act of 1946 to require the national government's regulatory agencies and commissions to make rules and regulations in the open--through notice-and-comment rulemaking or rulemaking by adjudicatory proceedings (Ball, 1984, p. 146). Otherwise, it was not until 1966 that Congress enacted the Freedom of Information Act (FOIA) and 1976 that it enacted the Government in the Sunshine Act. The FOIA requires federal agencies to accept requests for documents and other information from citizens and either produce the information or show cause why it need not do so. The sunshine law requires multi- member decision-making bodies to discuss and vote on policies in meetings that are open to the public. We acknowledge that state governments were earlier adopters of the freedom-of-information and sunshine

HERBLOCK, WASHINGTON POST

"On this order for a new typewriter ribbon — did you know you forgot to stamp it 'secret'?"

Reproduced in Brewster (1963, p. 161)

policies than Congress was. In any event, it is worth noting that the gestation period for these openness policies was roughly two centuries. For that long, it seemed perfectly natural to American lawmakers that the suppression of information constituted sound operational procedure and defensible public policy. To this day, researchers, right-to-know advocates, and public-interest groups necessarily generate literature to explain why the government should release what should be public information from its clutches.

Many observers make the same argument about business firms. Sarokin and Schulkin (2016, p. 95) note: "'Perfect information' has stood . . . as an abstraction (and, as [Joseph E.] Stiglitz reminded us, as a largely unexplored assumption of modern economics). . . ." Capitalist theory assumes that both parties to a voluntary marketplace transaction possess complete information so that each can determine that the exchange will serve her interests. When consumers do not have access to accurate information about goods and services, the disadvantage that they suffer constitutes a "market failure" that creates a justification for government intervention (e.g., when the FTC enforces truth-in-advertising and truth-in-labeling regulations). Sarokin and Schulkin (2016, p. 103) offer an example of the kind of information to which consumers are entitled when they make purchasing decisions.

> . . . Amazon and other online marketers generally don't provide information to answer questions such as these:
>
> Was this shirt made by child labor?
>
> Does it have a small global warming "footprint"?
>
> Are the dyes toxic?
>
> Was the workplace a firetrap?
>
> Are the workers treated with dignity?
>
> Am I funding a warlord by purchasing this item?
>
> Let's call these questions about a product's *sustainability*. Information that addresses these questions provides insight into how much a particular product contributes to or subtracts from the overall well-being of the world, with consideration given to the product's economic, social, workplace, health, and environmental impacts.

It is also necessary that stockholder-owned corporations disclose information about its finances so that investors and prospective investors can make informed decisions about whether to invest in the company and when to sell the corporation's stock and bonds. Sarokin and Schulkin (2016, pp. 84-86) state that such corporations must generate reports that include the following information:

A general and plainly stated description of the company
Organization
Performance
Income
Expenses
Finances
Risk
Labor and compensation
Tax returns

For the business sector, transparency is "[a]n old force with new power," say Tapscott and Ticoll (2003, p. xi). They elaborate:

> [Transparency] is far more than the obligation to disclose basic financial information. People and institutions that interact with firms are

> gaining unprecedented access to all sorts of information about corporate behavior, operations, and performance. Armed with new tools to find information about matters that affect them, stakeholders now scrutinize the firm as never before, inform others, and organize collective responses. The corporation is becoming naked.

One who makes a donation to a nonprofit organization does not typically receive a tangible reward. Fund-raising literature explains such intangible, intrinsic rewards as a good feeling or recognition. However, if the donation causes a result that the donor did not anticipate, such as enriching a fund-raising professional rather than a person in need, then the donor arguably has a claim of which he is unaware.

Irish et al. (2004) state, "The public has a legitimate interest in knowing about the activities and sources of funds of many civic organizations. Transparency to the public helps the civic sector to retain public trust" (p. 273). Jeavons (2010, p. 179) explains the argument this way:

> . . . [N]onprofit organizations--at least public charities (the 501(c)(3)s)--are especially dependent on the public's trust and goodwill to gain the support they need for the work they do. These organizations are sometimes described as "values-expressive," as being instrumental and critical to building "social capital" (a concept that centers on trust), and as being instruments of collective action for serving the public good. . . . If they are not organizations of integrity, organizations that are trustworthy, then they generally will not be able to function effectively. Why would people want to give their money or time to an organization if they have reason to doubt that [the] organization is representing itself and the work it does honestly and is using the contributions it receives well for the purpose of fulfilling its stated mission? . . .

Brinckerhoff (2004, p. 26) extends our argument about the difference between profit-making firms and nonprofits. Nonprofits "belong" to people outside the organization.

> . . . [D]oes the organization *belong* to others? Yes, in several ways. First, the board of directors of a 501(c)(3) organization does not represent stockholders as a for-profit corporate board does. The board represents *stakeholders*, people who are involved with the organization--the people it serves, the community in general, funders, staff, and volunteers. All are joined by a common interest and stake in the organization's outcomes.
>
> Second, the organization uses resources *that have been purchased by the funds of others*. While it's true that the organization earns these

> funds from others, it is also accountable to them to deliver the outcomes promised in the mission.

Therefore, Brinckerhoff (2004, p. 70) continues, the best rule about transparency is “the more, the better.”

> The more people know about your organization, the better. The more information they can see about plans, about services, and yes, about finances, the better. The more open you are the better. Period. Which is not to say that it is easy, or always personally comfortable, to be transparent. But it’s the best thing by far for the mission, because open organizations are better at engaging their employees and volunteers than closed ones. If people can see problems, if they are allowed to review plans, better ideas usually result (not always, but usually). . . .

Taylor and Kelsey (2016, pp. 61-62) summarize the theoretical rational for transparency.

> We want to put the idea of fairness at the heart of our definition of transparency. When people call for transparency they are, in the main, claiming that someone is getting away with something they should not and someone else is being treated unfairly or is at risk of being treated unfairly.
>
> Transparency policy often focuses on the person or organisations alleged to be behaving badly and defines transparency in terms of the degree to which their freedom to do this is limited by having to reveal what they are doing. We want, instead, to turn it around and focus our definition on those who lose out as a result of lack of transparency since, in the main, they are the people motivated to use transparency to change things.

Access to information helps to level the playing field--i.e., to ameliorate the dependence of relatively powerless people on those who possess power and information. Henriques (2007, pp. 164-165) states:

> Only the existence of a power relationship calls for transparency; the absence of a power relationship does not call for transparency. There is no obligation to divulge information for its own sake, except perhaps as entertainment. . . .
>
> The moral argument concerning the need for transparency wherever there are power relations therefore extends to both government and the voluntary sector. . . .

> Within the voluntary sector, those organizations that have campaigned for transparency from the [business] sector are being challenged to demonstrate comparable transparency themselves. . . . [O]ne of the primary stakeholders to whom [nongovernment organizations] owe transparency will be their members and supporters, rather than the corporate sector. . . .
>
> As the need for transparency has a moral foundation, those with power have a moral obligation to be transparent over how they exercise it.

2. MECHANICS OF TRANSPARENCY

Transparency begins with a commitment. Oliver (2004, p. 69) presents a list of attitudes and attributes.

> Once a specific strategy is selected, execution aspects need to be addressed. At a minimum, they include:
>
> - Board of Directors' statement of overall policy and approach
> - Board of Directors' governance programs to review progress
> - Senior management circulation and promulgation of transparency strategy
> - Specific, detailed, written, and widely communicated transparency practices covering the gathering, analysis, and reporting of organizational metrics
> - Institutionalizing transparency as part of key employee annual objectives
> - Programs for the documentation and protection of competitive assets and intelligence
> - Compliance programs for routine transparency programs
> - Establishment of future transparency analysis and monitoring teams
> - Engagement programs to encourage customer, partner, supplier participation, and support
> - Programs to recognize and reward exemplary performance
> - Whistleblower programs
> - Communication programs for key stakeholders

- Establishment of feedback channels
- Evaluation programs to monitor progress
- Contingency plans to prepare for routine but unforeseen events or requests
- Crisis management plans to deal with major catastrophes

The effective mechanics of transparency are not commonly mechanisms that are comfortable or convenient. Some organizational leaders are content to publish information that is useless or misleading. This stratagem is available because of the volume of information in organizations' possession, especially in the era of big data.

> Selective disclosure or edited disclosure, in which the subject of transparency has been able to exercise control over the information to their advantage, can reduce transparency rather than increase it. What matters is transparency that gives me equal or similar narrative power--the ability to build a case, whether in a court or in the press. For transparency to work it needs to put narrative power into the hands of those who lack executive power.
>
> . . . Power over information today consists more in the control of big data assets than in the ability to conceal specific documents or pieces of information. By that measure, the world is becoming less, not more transparent (Taylor and Kelsey, 2016, pp. 69, 115).

One clever maneuver that some organizations use to appear to be transparent while leaving stakeholders uninformed is to flood consumers with useless information. Henriques (2007, p. 163) says, "One way in which idiot transparency can occur is when a surplus of information is displayed. This may be well-intentioned but naïve, or it may be manipulative and deliberately designed to conceal." Auger (2011, pp. 48-49) writes:

> . . . Pasquier and Villeneuve (2007) documented five organizational behaviors that can restrict transparency: (1) non-transparency, where organizations are not required by law to be transparency and, therefore, are not; (2) averted transparency, whereby the organization actively and illegally prevents access to information, (3) obstructed transparency, whereby the organization uses all legal means to limit access to information; (4) strained transparency, which involves consciously or unconsciously limited access to information because of limited resources or familiarity with the documents; and (5) maximized transparency, whereby all information is made available but without filing systems, indexes or registers to help organize or find the information needed. As the scholars noted, "Too much transparency may destroy transparency" (p. 152). In

> other words, organizations may provide all the information relating to an issue, involving hundreds of documents, which make it difficult for those interested to find the specific information they seek, if no index or other document organizing material is also supplied.

Auger (2011, pp. 47-48) adds that Guidestar calls for charities to supply information on its own initiative and in a way that genuinely informs the public.

> Guidestar (2008), an online organizer and distributor of nonprofit and philanthropic database information, noted that "transparency is closely linked with accountability, as the release of relevant information helps institutions hold themselves accountable for their performance" (p. 7).
>
> Conversely, Guidestar (2008) also noted that "releasing information only upon request often acts as an impediment to disclosure and frustrates meaningful transparency" (p. 8). Advocates and critics of transparency have noted the difficulties inherent with this construct. Rawlins (2009) advised, "Disclosure alone can defeat the purpose of transparency. It can obfuscate, rather than enlighten" (p. 74). And Scott (2004) cautioned that "transparency[] is about much more than the corporate reports made to stakeholders. . . . Transparency either pervades the organization or is merely a clever one-way mirror attempting to hide the contents from public view" (p. 48).

Taylor and Kelsey (2016, p. 210) list the bases for organizational leaders to obstruct the flow of useful information. They possess the power to determine the following:

- [W]hat is and what is not recorded
- [T]he format, definitions and descriptions of what is recorded
- [W]hich other parties information is shared with
- [T]he content of what is shared with other parties, including powers of redaction for deliberative privacy, personal privacy, commercial confidentiality and national security
- [T]he format of information that is shared with other parties
- [T]he terms on which information is shared with other parties

Stevenson (1980, pp. 12-13, 185-187) says that there should be a freedom-of-information process that obligates companies to disclose information whenever they cannot demonstrate that such disclosure is contrary to the public interest. Mulgan (2014, p. 4) states, ". . . [P]ublic access to information is of little value unless the information is presented in a form that makes sense to outsiders."

Perhaps the principal mechanism of transparency in the nonprofit sector is IRS Form 990. Nonprofits are required to file the full-scale 990 form (which, with attachments, can involve more than 1000 pages) if they have "(1) gross receipts greater than or equal to $200,000 or (2) total assets greater than or equal to $500,000 at the end of the tax year," says the IRS. The content of 990 forms is public information. On this form, a nonprofit organization reports revenues; expenditures; compensation paid to officers, key employees, and directors; and information about the governing board.

Some policymakers and watchdogs complain that aspects of the 990 filing requirement spare nonprofits from demanding accountability for a number of reasons.

- The financial data are not necessarily reported in accordance with Generally Accepted Accounting Principles. Marcus Owens, director of the IRS Exempt Organizations Technical Division, said, ". . . [T]he level of tax compliance among a number of tax-exempt groups is at a 'Third World Level'" (quoted in Bennett and DiLorenzo, 1994, p. 78).

- The financial data have not necessarily undergone external audit (Behn, DeVries, and Jing, 2010, p. 6). Even if they have, Bennett and DiLorenzo (1994, p. 77) observe, charities and auditors have a "cozy relationship" because of the "substantial auditing fees that major charities pay." They ask:

  > When large fees are at stake, what auditor of any health charity will raise the roof about shuffling a few numbers around here and there, especially if there is no absolute prohibition against it? After all, it is not the job of the auditors to determine whether the funds were appropriately spent on charitable purposes; if that were the case, the United Way of America scandal should have been uncovered years earlier.

- ". . . [O]ne study observed [that] many nonprofit organizations apparently intentionally misclassify or aggregate various sensitive information items such as fundraising expenses . . ." (Behn et al., 2010, p. 7).

- Nonprofits can report all sorts of overhead, travel, employee pay, etc., as "program expenses." Bennett and DiLorenzo (1994, p. 70) explain:

  > The reason that financial information offers few insights into charitable activities is simple: By accounting convention, *the costs of providing program services are counted as part of the services themselves*. The problems created by this accounting practice are easily illustrated by a clear-cut example. Suppose that two health charities, A and B, spend all of their income each year on aid to disease victims. Both charity A and charity B collect $100,000 in a

> given year and both report spending $100,000 on patient services. Both appear to be highly efficient and equally deserving of support, but these "facts" can be deceiving. Charity A has one staff member paid $20,000 per year to distribute $80,000 in cash assistance to patients, while charity B hires four staff members at $20,000 each to distribute $20,000 to patients. Charity A is apparently far more efficient and deserving of support than is charity B, since four times as much cash assistance reaches those in need. Yet the amount reported spent on patient services in the audited financial statements is the same for both charities: $100,000! Thus, it is not possible to determine whether expenditures on staff are as low as possible or whether the payroll is padded with paramours, cronies, or nepotistic nieces and nephews.

> It is common practice for charities to charge a large proportion of fund-raising expenses off to "public education." They will justify the accounting trick by citing aspects of the fund-raising letters and inserts that explain the disease or other problem that the charity's mission addresses. As an example, solicitation letters from the American Cancer Society will be accompanied by an insert that lists the "seven warning signs of cancer." By enclosing the insert, the organization can charge much of the cost of the mailing off to "public education" (Bennett and DiLorenzo, 1994, pp. 76-77).

Those nonprofits that are not required to file the full-scale Form 990 but want to keep their tax-exempt status must file some simpler version: 990-EZ, 990-BL, 990-N, or 1065.

Given their druthers, organizations can ordinarily be expected to disclose as little information as it can get away with. Taylor and Kelsey (2016, p. 210) explain it this way:

> . . . [O]rganisations which are implementing transparency systems [can be expected] to lean, whether deliberately or unconsciously, towards systems that minimise the degree to which information is available in formats that allow them to be held accountable.
>
> The central issue of concern here is the degree to which the organisation subject to transparency can retain a degree of editorial control over information flow. . . . [I]f an organisation has unaccountable monopoly control over any part of the flow of information--from the design of the content, through to the way it is recorded, analysed, and presented--we can expect this to be exploited to reduce accountability and increase opportunities for corruption. . . .

Behn, DeVries, and Lin (2010, p. 7) are among those who have offered suggestions for reform. They have proposed the following measures:

> Certain states . . . recommend, but do not require, [that] nonprofit organizations adopt the provisions of [the] Sarbanes-Oxley Act (SOX) to enhance institutional accountability and responsibility (McCarthy & Mattie, 2003). The North Carolina Center for Nonprofits (2003), for example, notes[,] ". . . although SOX was aimed at the business community, [attorneys general] around the country are using it as a template for nonprofit reform and regulation. . . . To model best practices, nonprofits should proactively adopt . . . provisions of SOX."
>
> The Senate Finance Committee proposed requiring CEOs to sign (under penalty of perjury) a declaration to implement processes and procedures ensuring the returns' compliance with IRS code and to reasonably assure accuracy and completeness (U. S. Senate, 2004). . . . The Senate recommended reforms to achieve greater transparency and to ensure exempt organizations' accurate, timely, consistent, and informative reporting (U. S. Senate, 2004) including provisions that organizations with gross receipts over $250,000 be independently audited and required to post on their websites federally required information. But, legislation to that end has languished, to the disadvantage of the American public.

The Independent Sector organization developed a report describing 33 principles for good governance and ethical practice. Principle 7 establishes sound standards for disclosure of information. Corbett (2011, pp. 25-26) explains Principle 7:

> Principle 7 requires public access to information about operations, governance finances, programs, and activities. Second, the principle encourages organizations to provide public access to methods used to evaluate outcomes of their work and the evaluation results. . . .
>
> The first requirement raises the question of public versus proprietary records. . . .
>
> The second requirement raised in Principle 7 is that nonprofits are encouraged to make evaluation methods available to the public--a step that can be readily implemented for nonprofits with written evaluation methods, which many nonprofits likely already have. Those nonprofits without methods need to develop them. While challenging, measurable evaluation criteria can be developed and may vary widely depending on the organization's mission, goals, programs, and values. . . .

> The third aspect of Principle 7 pertains to evaluation results. Some results, depending on what is evaluated and the findings, may fall within the proprietary area. As a result, an organization will need to have a process to assess, and determinations would likely have to be made on a case-by-case basis, by the board. . . .

3. PRACTICAL ADVANTAGES

a. Fairness. A fundamental advantage of transparency is that it makes human relationships fairer. Taylor and Kelsey (2016, pp. 66-67) explain:

> Our contention is that a fair society can only exist when there is sufficient transparency to enable me to assent to the rules of that society and judge them as fair. Transparency is the means by which we can collectively agree that the allocation systems that regulate our lives--legal, administrative and market driven--are indeed fair.
>
> The first and simplest way in which transparency can help ensure fairness is by allowing the public to play a role in ensuring that rules are applied correctly. The most basic form of corruption is the deliberate flouting of such rules for personal gain. Transparency of this sort is often used as an additional policing mechanism to support regulatory activity. To the degree that regulators are reliable and can be trusted, this process may not be seen as necessary. On the other hand, risks of regulatory capture . . . and the question of who guards the guardians are good reasons for believing that this level of transparency is necessary.
>
> There is then a second way in which transparency ensures fairness--which is ensuring that the rules themselves are fair. But how do we judge if the rules are fair? Here, transparency is the *only* mechanism we have to try to reach a collective agreement.

b. Efficiency. Efficiency in the economy occurs when mutually agreeable marketplace transactions occur, leading to the occurrence of *more* transactions. Efficiency is not fostered when misinformation causes investors and consumers to direct their resources toward unproductive purposes.

> Efficiency occurs when investors correctly categorise investments according to their likely return, consumers correctly categorise products according to the benefits and harms they produce, employers correctly categorise employees for promotion or redundancy according to their value, government departments correctly categorise services for funding allocations (Taylor and Kelsey, 2016, p. 70).

c. Quality. Transparency which co-exists with good management leads to higher quality of outputs.

> The best firms . . . understand that investments in good governance and transparency deliver significant payoffs: engaged relationships, better quality and cost management, more innovation, and improved overall business performance. They build transparency and integrity into their business strategy, products and services, brand and reputation, technology plans, and corporate character (Tapscott and Ticoll, 2003, p. xiv).

d. Sustainability. As Sarokin and Schulkin (2016, p. 103) noted, when consumers have the information that they need to know "how much a particular product contributes to or subtracts from the overall well-being of the world," they can make a better, more socially responsible purchasing decision.

e. Trust. When nonprofit organizations act in accordance with the principle of transparency, they can earn the confidence of the public. Oliver (2004, pp. 7-8) writes:

> Many charity organizations control a budget larger than the gross national product of small countries and wield tremendous influence in the regions where they operate. Their actions can literally mean the difference between life and death. Nonprofit organizations are ranked (by the media, for instance) on how efficient they are with donor dollars (how much goes to aid, how much to overhead), as well as their record of accomplishments. If their records are opaque and they cannot account for donations, they face a crisis in both their budget and their relationship with local leaders. Transparency is also critical to the credibility of international bodies from relatively small nongovernmental organizations (NGOs) like Greenpeace to huge global NGOs like the Red Cross.
>
> An organization that depends on contributions from donors is under the microscope like no other. People vote with their wallet in the commercial decisions they make every day, but they are even more likely to vote with their wallet when it comes to charity. This kind of expenditure is frequently the most emotional, so the decision often comes down to comfort and confidence. If a nonprofit organization appears to be hiding something or has lost face through a public scandal, donations are certain to plummet and may take years to recover.

H. Mechanics and Implications at the Organizational Level

1. MECHANICS

Kerpen (2013, p. 67) suggests that transparency in practice begins with a principled commitment.

> Transparency isn't just about implementing a system for communication: it's a philosophy, an entire policy that should extend to every area of your business. Being transparent guarantees a level of accountability in which each member of the company openly takes responsibility for his or her work and actions. The opposite is just as real: a lack of integrity and trust in your company is your virus, spreading cynicism and a decrease in faith, motivation, and productivity.

Gebler (2012, pp. 159-160, 163) states that the implementation of the transparency principle takes time and conscious intention.

> An organization cannot become transparent overnight. It must make its way through incremental steps to create both the necessary trust and processes. To have a culture in which employees know that their decisions will be supported and that questions can be raised, leadership needs to ensure that four essential elements are in place. It must:
>
> - Aggressively enforce its principles and not only its standards. Standards tend to be easier to enforce than principles because standards are more like rules.
> - Create a safe place for questions to be raised.
> - Ensure that leaders don't become isolated, losing touch with the issues and challenges their employees face. My number one piece of advice on this point to the leaders in my client companies is: Get out from behind your desks!
> - Get to the heart of the issue. There are always reasons that people do what they do. If you don't get to the root cause of why the truth cannot be told, then the truth will never be told.
>
> . . . For employees to trust in transparency, they must first feel safe physically, financially, and emotionally. There can be no fear of raising difficult issues or admitting mistakes; undue pressure and fear of losing one's job make these difficult or impossible. Transparency is also build on respect. Employees must feel they have a personal relationship with their

> leaders that allows them to be comfortable taking the risk of bringing up a touchy subject.
>
> The first step to creating a safe place for the truth to be told is to be sure that senior leaders even know what the issue is.

2. ADVANTAGES

[Pending]

3. RISKS

[Pending]

I. The Role of Managerial Culture

Considering the surfeit of pitfalls associated with the lack of transparency in nonprofit organizations, and the apparent number of boards of national organizations that choose to maintain secrecy regarding their board meetings, one may wonder whether there is any hope for a charitable organization to truly gain the trust of its stakeholders. The answer is yes, although the road is paved with caveats. Nonprofit organizations face challenges regarding operations that are unique to them. In a for-profit organization, if a founding proprietor wishes to be transparent about his organization, he does so, and those who seek to stymie the flow of information are terminated and replaced with others who will espouse the value of transparency. However, in a nonprofit organization, a founder or president is impeded by a board of trustees from carrying out her vision in the manner that she sees fit. This is where culture becomes essential to the transparency of an organization.

Gebler (2012, pp. 150-151) asserts that transparency arises from a planned process.

> Transparency is the end result of a focused and well-defined process that builds toward it. The companies that have successfully instilled transparency have systematically asserted what factors thwart being open and then have developed systems to ensure that the blocking behaviors are nullified and the positive behaviors encouraged. . . .
>
> Transparency connects and aligns what an organization does--its standards of behavior--with what it stands for--its principles and beliefs. When that happens, the organization is characterized by both clarity--everyone knows what is behind the leaders' actions and

> decisions--and truth--anyone can safely ask questions and point out gaps between actions and values. The ability of employees and leadership to openly discuss the conflicts between principles and standards is at the heart of transparency.

Citing the work of Benjamin Schneider and Edgar H. Schein, Ostroff, Kinicki, and Tamkins introduce the concepts of organizational culture and climate.

> Organizational culture and climate focus on how organizational participants *experience* and make sense of organizations . . . and are fundamental building blocks for describing and analyzing organizational phenomena. . . . Although culture and climate have been approached from different scholarly traditions and have their roots in different disciplines, they are both about understanding psychological phenomena in organizations. Both concepts rest upon the assumption of shared meaning--a shared understanding of some aspect of organizational context (Ostroff, Kinicki, and Tamkins, 2003, p. 565).

Organizational culture is the deep structure of an organization, rooted in the beliefs, values, and assumptions of the members, but established by the leadership/founder (Denison, 1996). Although culture covers all group functioning and integrates all aspects of an organization, it is so deep that it can be viewed only through manifestations (Schein, 2004). Schneider explains:

> . . . [P]eople in work settings form climate perceptions because apprehending order in the world is a basic human chore and . . . these climate perceptions function as frames of reference against which the appropriateness of behavior may be judged for the balance or homeostasis it will achieve with the setting (Schneider, 1975, p. 460).

Ostroff et al. (2003, p. 566) elaborate:

> Individuals can sense the climate upon entering an organization through things such as the physical appearance of the place, the emotionality and attitudes exhibited by employees, and the experience and treatment of visitors and new employee members.

This is where organizational climate becomes important, as culture leads to climate, which is the policies, practices, and procedures of an organization (Schneider, 1975).

> Climate develops from the deeper core of culture. . . . [O]rganizational culture is expected to effect [*sic*] structure, practices, policies, and routines in the organization that in turn provide the context for climate perceptions. These organizational practices are the means

> through which employee perceptions, and subsequent attitudes, responses, and behaviors, are shaped (Ostroff et al., 2003, pp. 566-567).

Climate is used to determine the appropriateness of behaviors in an organization, and can be specifically targeted toward any aspect of the organization (Glick, 1985), such as a climate for openness, which describes the authenticity and openness of interactions between leaders and their employees (Raza, 2010).

Baum and Kling (2004, p. 6) list principles that a transparent company need to have.

> The transparent company fosters a *culture* of openness and inclusion, and therefore is able to adapt to unexpected shifts in market conditions by simply doing the right thing.
>
> There are three principles a transparent company *must* have:
>
> - a leader who believes in telling the truth
> - a values-based corporate culture
> - employees who are “people people” (service-oriented)/team players.

While climates for transparency have been sparsely researched in the extant literature, when there is a strong culture and climate of transparency set by the leaders of the organization, there are several important implications for organizational functioning. The first manner in which a climate for transparency will impact an organization is via trust and ethics. When transparency exists in an organization, there must be a strong adherence to ethics by all members of the leadership, and this can be monitored both internally from within the organization and externally by the constituents. This is beneficial to the leadership, as there are more opportunities for any oversights to be found and remedied before they cause problems and, if there is an oversight, it provides the organization a chance to prove its trustworthiness to the constituents through the measures it takes to resolve the issue. Prior research has shown that problems can often breed loyalty to an organization, as customers tend to remember the way an issue was handled much more clearly than the issue itself. This system also builds trust, as leaders who are open and honest in communications and relationships have been shown to build trust over time (Hess and Bacigalupo, 2011). This trust will be fostered both within the organization and externally. This transparent climate additionally influences effective communication once trust and ethics are solidified because communication is not, and should never be, a one-way street, especially not in the circumstance that the communication is coming in the form of constituents and stakeholders clamoring for answers and information from an ever silent organization. In order to be effective, communication must be a two-way channel that involves information flowing from the organization and feedback being returned from those who receive this information. Stakeholders cannot deliver feedback and input without being properly informed, and this puts the organization in a precarious position in which it faces the potential to miss out on invaluable learning opportunities for continuous improvement and growth and it loses touch with its constituents, making it difficult to adapt to changing conditions.

Let us return to the issue of the special circumstances of a nonprofit organization and the impediment that the board can present to a founder's vision. It is imperative that the founder establish the culture and climate that he desires for his organization purposively and immediately. "Culture has been viewed as a key driver of organizational effectiveness and performance . . . and a source of sustained competitive advantage" (Ostroff et al., 2003, p. 571). Schneider (1987) adds: ". . . [B]y what they reward, support, and expect, organizations can indicate that customer service or safety or product quality is an organizational imperative" (p. 448). If a founder wishes to have a culture and climate for transparency, he can develop a mission statement, a statement of core values, and a code of ethics that includes transparency and that is featured prominently with any materials regarding the organization. Brown and Treviño wrote:

> In a corporate environment [in which] ethics messages can get lost amidst messages about the bottom line and the immediate tasks at hand, ethical leaders also focus attention on ethics by frequently communicating about ethics and making the ethics message salient. They set clear and high ethical standards themselves. They also use rewards and punishment to influence followers' ethical behavior. Research shows that reinforcement plays an important role in modeling effectiveness because observers pay close attention to those who control important resources and to rewards and punishments (Brown and Treviño, 2006, pp. 597-598).

Bennis, Goleman, and Biederman (2008, p. 23) indicate that the leader himself must eschew secrecy as a desired state.

> Leaders who will thrive and whose organizations will flourish in this era of ubiquitous electronic tattletales are the ones who strive to make their organizations as transparent as possible. Despite legitimate moral and legal limits on disclosure, leaders should at least aspire to a policy of "no secrets."

In addition, the founder must actively embody the values he espouses by being transparent himself. Bennis et al. (2008, p. 25) warn about the shimmer effect:

> The so-called shimmer factor is a third common impediment to the free flow of information. . . . [Leaders] . . . tend to be perceived by many as demigods. And that perception still deters followers from telling those leaders essential but awkward truths.

Thus, they state, "The best antidote to the shimmer effect is the behavior of the leader." If the founder disavows secrecy, this will ensure that those who become active members of the administration of the organization, including the board and executive director, will share the values upon which the organization is founded in accordance with the attraction-selection-attrition cycle (ASA) (Schneider, 1987). This cycle occurs when a founder establishes a culture and a climate conducive to her values. People with similar values are attracted to the organization, and are thus selected. ". . . [A]lignment [among] culture, practices, and climate is necessary for employees to respond and behave in ways that will lead to organizational effectiveness" (Ostroff et al., 2003, p. 576). Those employees who are selected but whose values are incompatible with the organization leave, and thus the organization becomes a function of the values of the members. As Benjamin Schneider (1987, pp. 440, 448) stated:

> Different kinds of organizations attract, select, and retain different kinds of people, and it is the outcome of the ASA cycle that determines why organizations look and feel different from each other.
>
> The ASA framework provides a new vantage point from which one can understand the genesis of both climate and culture. As noted earlier, the processes and structures that emerge in organizations are functions of the kinds of people in them behaving in ways that facilitate the accomplishments of the goals of the founder.

Jeavons (2010, pp. 180-181) makes this argument:

> . . . I argue . . . that we are most likely to see consistently ethical behavior among nonprofit managers and organizations only where an emphasis on ethical values and behavior is deeply embedded in the cultures of these organizations. So, building and reinforcing that kind of organizational culture becomes a primary responsibility for those desiring that ethical practice be a hallmark of all the functions, including the management, of their organization.
>
> . . . [T]he claim argued here is that truly ethical behavior will be assured only by creating an organizational culture in which key ethical ideals and expectations are incorporated in the 'core values' . . . of an organization and thus permeate its operations.

In sum, there is hope for the future of transparency in nonprofit organizations, but, in order for that vision to be realized, founders must truly comprehend the importance of transparency and be mindful in the actions that they take in order to ensure that their organization does not fall prey to a shroud of secrecy once a board is legally in control.

J. Strategies for Obtaining Transparency

1. EXPANDING THE ROLE OF CONSUMER WATCHDOGS

[Pending]

2. EDUCATING DONORS

[Pending]

3. MODIFICATIONS TO LAWS ABOUT THE NONPROFIT SECTOR

[Pending]

4. TRAINING FOR ETHICS

[Pending]

K. Survey of Georgia Organizations

1. DATA AND SAMPLE

We collected data from Charity Navigator for nonprofit organizations located in the State of Georgia. These data include information on the nonprofit sector in which the organization operated, the total revenue of the organization from fiscal year 2015, the salary of the executive director, the percentage of total expenses that the executive director salary makes up, the gender of the executive director, the presence of audited financials on the organization's website, the existence of a conflict of interest policy, the existence of a whistleblower policy, and whether the board members are listed on the website. In total, we identified 85 organizations that had data on Charity Navigator and had contact information listed. We sent requests to these 85 organizations for information regarding the minutes of board meetings. Specifically, we wanted to know whether the organization holds board meetings, whether minutes are kept, whether these minutes are available upon request, and whether they are available on the website. Seventeen organizations responded after the first request, while seven responded after the second request.

2. ANALYSES AND RESULTS

a. Descriptive analysis. For our initial analysis, we included only the 24 organizations that responded "yes" or "no" to our request. For our second analysis, we included the organizations that did not respond to our request and coded these as not providing audited financial statements; therefore, the second analysis included the total sample of 85.

A broad range of nonprofit categories are represented in this study. In the entire sample of organizations, 31.76% are involved in human services, 15.29% in health, 10.59% in religion, 9.41% in community development, 7.06% in international, 7.06% in environment, 7.06% in humanities, 5.88% in animals, 3.53% in research and public policy, and 2.35% in education. The sampled organizations also represent a wide range of revenue totals, from $55,556 to $606,488,670 in a fiscal year (*M* = 25,799,531, *SD* = 82,706,616). Male executive directors lead 53.09% of the organizations, while 46.91% are led by females.

b. Linear regressions. We first ran linear regression analyses on only the organizations responding to our request. The only variable that demonstrated predictive ability for availability of board meeting minutes was the presence of audited financials on the organization's website, but it reached only marginal significance.

Predictor	B	SE	β	*t*	α
Category of Nonprofit	.00	.06	-.01	-0.04	.49
Conflict of Interest Policy	.61	.51	.25	1.19	.13
Whistleblower Policy	.61	.51	.25	1.19	.13
Audited Financials Available on Website	.33	.23	.29	1.44	.08*
Form 990 Available on Website	.02	.23	.02	0.07	.47
Leader Compensation % of Expenses	.02	.04	.13	0.60	.28
Total Revenue for Fiscal Year	.00	.00	.13	0.60	.29
Board Listed & Not Compensated					

Note: *n* = 24; final variable unable to calculate due to restriction of range

Next, we conducted linear regression analyses of all of the organizations contacted, with those not responding over three times coded as not providing minutes of their board meetings. The only variable that significantly predicts availability of board meeting minutes is the presence of audited financials available on the organization's website, which accounted for approximately 3% of the variance in the availability of minutes of board meetings.

Predictor	B	SE	β	*t*	α
Category of Nonprofit	-.02	.02	-.13	-1.17	.11
Conflict of Interest Policy	.17	.17	.11	1.02	.16
Whistleblower Policy	.18	.16	.12	1.12	.14
Audited Financials Available on Website	.14	.09	.18	1.63	.05*
Form 990 Available on Website	.07	.08	.10	0.89	.19
Leader Compensation % of Expenses	.00	.00	-.06	-0.51	.31
Total Revenue for Fiscal Year	.00	.00	.13	1.22	.11
Board Listed & Not Compensated	.17	.19	.10	0.90	.19

Note: $n = 85$

L. Conclusion

Make no mistake about it: Countless leaders of nonprofit organizations can read this paper and a library full of books and journals advocating transparency, and they will be unmoved by them and continue to assert their privilege to shroud their operations in secrecy. The secrecy will not subside as long as Americans reinforce these leaders' behavior by filling the secretive organizations' coffers with a steady supply of money. Transparency will be hard to come by until donors direct their support to organizations that open their books to the public. We propose that the charity watchdog organizations abandon the notion that nonprofit organizations have the ethical right to conceal the minutes of their board meetings. Here is a modest proposal to individuals who are approached by a charity for a donation: Ask the fund-raiser for copies of the minutes of the charity's last two or three board meetings. If the fund-raiser protests that the best interests of the organization are served by keeping the board's proceedings confidential, explain that you choose to act in *your* best interest as well by conserving your resources. Feel free to find some *other* charity that recognizes donors' right to know. They do exist.

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