
by Joseph Galaskiewicz

The 1980s seemed to be difficult years for nonprofit organizations and corporate philanthropy. A recession, state funding shortfalls, scandals, homelessness, cutbacks in federal spending, changes in the tax codes, restructuring of corporations and the economy, roller coaster profits, and foreign competition were just a few of the many challenges faced by nonprofits and corporations. Our research has documented changes in this sector of the Twin Cities over the past decade and focused on the funding patterns of public charity organizations and changes in corporate giving.

In June 1981 we issued a preliminary report to the community: Corporate-Nonprofit Linkages in Minneapolis-St. Paul: Findings from a Longitudinal Study—1980-1988. This report was a follow-up to a report prepared in 1982 and distributed to the Twin Cities nonprofit and funding community. In the original report we presented a snapshot of various aspects of the 1980-81 Twin Cities corporate grants economy: basic characteristics of a sample of public charities headquartered in the Twin Cities and a brief profile of company giving programs in the Twin Cities area. Since that report we have returned to the field twice. In 1984 and 1985 my research assistants and I surveyed the panel of nonprofits we had originally surveyed in 1980 and 1981 as well as a new sample of public charities which was representative of that period. In 1988 and 1989 we surveyed the original panel a third time, surveyed a third cross-section of nonprofits, and surveyed company giving staffs and chief executive officers in publicly-held corporations headquartered in the Twin Cities. Altogether about 800 people were interviewed or surveyed in this most recent effort.

Nonprofits: A Roller Coaster Ride

Comparing the organizations in the three sample surveys, it's safe to say that the nonprofit sector in 1988 was not the same as in 1980 or 1984. In the first place, there was remarkable growth. The number of charitable organizations increased modestly between 1980 and 1984 (from 1,801 to 1,951) and then surged between 1984 and 1988 (from 1,951 to 2,735). That is an overall increase of 70.8 percent between 1980 and 1988. Second, nonprofits in 1988 had a much different agenda than in 1980. The
percentage engaged in health and welfare services was less, while the percentage engaged in cultural and recreational activities increased (Figure 1). Third, the "average" organization was larger in 1988 than in 1980 or 1984—whether measured in terms of operating expenditures or employment. And, fourth, employment and expenditures were more concentrated in the largest organizations in 1988.

While the average organization was larger in 1988, there was not a proportionate increase in all revenue streams. Comparing 1984 to 1980, giving from foundations, businesses, individuals, and federated fund drives was greater in constant dollars in 1984 (Table 1). Revenues from government grants and contracts and from program services were about the same. And, contrary to what some had expected, revenues from the sale of unrelated services were actually less in 1984 than in 1980.

Comparing 1988 to 1984, the average donation from individuals, foundations and businesses was less—in fact, approaching 1980 levels. Also, nonprofits in 1988 received considerably less from government than in 1980 or 1984. At the same time, program service revenues were much greater in 1988.

How can we explain the growth in the size of organizations and the size of the sector? One approach is to focus on changes in the funding environment and in donor behavior. For example, private donors responded to the call of government officials and increased their giving to nonprofits between 1980 and 1984. However, instead of declining, government funding stayed about the same, as did program service revenue. We suspect that either state and local government funding supplemented cutbacks in federal spending or cuts in federal programs were restored by 1984. As a result, instead of shrinking, funds for nonprofits actually increased between 1980 and 1984. There was more donated revenue than before, while government funding and program service revenue stayed about the same. This in turn may have prompted the birth of new nonprofits between 1984 and 1988.

However, between 1984 and 1988 things changed radically in the nonprofits' funding environment. Private donations from all sources declined, perhaps because donors saw that between 1980 and 1984 nonprofits did not suffer as much as everyone had expected they would. Government funding was also less in 1988, and a smaller percentage of nonprofits had government support. Thus the true crisis in government funding took place between 1984 and 1988, not between 1980 and 1984. This could have created serious problems, but fortunately nonprofits were turning more and more to program service revenues during these years. These revenues had increased substantially by 1988. It is interesting that during neither of these periods (1980-84 or 1984-88) did nonprofits elect to raise sales of unrelated services. The bottom line is that by 1988 the "average" organization and the entire sector were larger than ever before, even though there was a precipitous decline in two revenue streams—private donations and government funding.

Alternatively, the changes we observed could be due to the changing composition of the nonprofit sector and particularly the influx of smaller, more expressive, voluntary associations. The emergence of so many self help groups could have been in response to the rhetoric of the political establishment which was calling for even further government cutbacks, although it is more likely that it was the product of increasing individualism and pluralism in our society. These organizations (groups like tennis clubs, alternative schools, and minority arts and cultural organizations) are oriented toward serving members' needs or focus their attention on issues of interest to their members. Nevertheless, their emergence explains the large number of nonprofits in 1988, the increase in cultural and

### Table 1. Average Income of Twin Cities Nonprofits in 1980, 1984, and 1988 (in thousands of 1979 constant dollars)\(^*\)

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<tr>
<td><strong>Private Sector</strong></td>
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<tr>
<td>Foundations</td>
<td>$21.7</td>
<td>$64.5</td>
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<td>Businesses and corporations</td>
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<tr>
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<td>19.1</td>
<td>14.0</td>
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<tr>
<td>Benefit fundraising events (net after expenses)</td>
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<td>4.2</td>
<td>8.1</td>
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<tr>
<td>Trusts and bequests</td>
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<td><strong>Public Sector</strong></td>
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<tr>
<td>Government grants and contracts</td>
<td>132.1</td>
<td>129.1</td>
<td>50.8</td>
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| Self Generated | Program services | 526.4 | 567.1 | 1,990.7 |
|                | Membership dues | 28.1  | 14.3  | 14.9   |
|                | Interests, rents, and royalties | 52.8 | 48.4 | 34.9 |
|                | Sale of assets (net after expenses) | 0.9 | -0.8 | -2.5  |
|                | Sale of unrelated services (net after expenses) | 13.3 | 6.9 | -1.4  |
|                | Other | 17.6 | 10.1  | 4.1   |

\(^*\) These are averages for three cross-section surveys of 229 nonprofits in 1980, 266 in 1984, and 230 in 1988.
recreational organizations, the concentration of wealth in the hands of the largest organizations (concentration implies that there are a large number of smaller organizations), the greater percentage of organizations relying on private donations (while the revenues from this source were getting smaller), and the shrinking percentage of organizations able to rely on government funding. The overall growth in organizational size is probably due to very large, established organizations broadening their service base, while the growth in the size of the nonprofit sector is due to the increase in the number of these small expressive voluntary associations.

Explaining the situation of our panel of organizations is not as complicated, for they did quite well throughout the eight-year period. Their budgets increased, the number of employees increased, and income from almost every revenue source increased in both current and constant dollars. But indeed, not all the organizations in our panel made it through the decade unscathed. We began with 229 nonprofits in 1980; by 1988 there were only 174. Of the ones we lost, only four organizations refused to be interviewed again. Thus 51 organizations (or 22.3 percent) of the 229 organizations that we started with either merged, turned for-profit, or went out of business by 1988. Also, not every surviving nonprofit in our panel grew and prospered. By 1988 some were barely hanging on, and more than a couple have closed their doors since we talked to them three years ago.

Nonetheless, the organizations that did survive were, on the whole, doing quite well. We suspect that they survived, because they went back again and again to their donors, members, or customers while cultivating new donors, members, and customers at the same time. Certainly survivors in our panel were the "success stories." They not only survived the government cutbacks, recession, and scandals; a large percentage prospered.

**Corporate Giving: It Keeps Going and Going and Going and...**

Despite a turbulent environment, corporate giving in the Twin Cities survived the decade handsomely. Focusing on locally headquartered companies with 1,500 or more employees, we find that firms in 1987-89 gave more, on average, in current and constant dollars than firms in 1979-81, and there was a constant dollar increase between 1987 and 1989 (Figure 2).

Clearly company giving in the Twin Cities defied national trends. Giving USA (1991 edition) noted that corporate contributions in constant dollars were $3.9 billion in 1987 and $4.0 billion in 1988, 1989, and 1990—a flat pattern. Yet giving in current and constant dollars increased among the larger corporations headquartered in the Twin Cities during this same period.

Although we wish we could say that every large firm was giving more, it turns out that it was the generosity of a few large firms that made the difference. In other words, corporate giving was highly concentrated and, in fact, became more concentrated as the decade wore on. If we add up the total amount of cash contributions made by all our companies in fiscal year 1981, the two biggest donors accounted for 29.4 percent of the total; the four biggest

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Income for nonprofits shifted in the 1980s. More and more often nonprofits turned to program service revenues, bringing in funds through activities like those at this day care center. Though not every organization earned more through program services, the average for all nonprofits, taken together, had more than doubled by 1988.
donors accounted for 47.3 percent. In 1989 the two biggest donors accounted for 37.2 percent of the total, and the four biggest accounted for 51.8 percent. If the two or three largest donors did not continue to give at exceptionally high levels, the Twin Cities business community would not be that different from business communities elsewhere.

We also found that the structure of giving programs changed. Again considering the firms with 1,500 plus employees, we found that company giving programs became more formalized, and there was some evidence that decision-making became more decentralized as well. Furthermore, staff composition changed. Comparing corporate giving staff in 1981 and 1989, we found that in 1989 they were more likely to be over age forty, born and raised in Minnesota, female, with either no college degree or a graduate degree, and to have had work experience outside a corporation prior to their current job. Still some patterns remained constant. In 1987-89 these companies were giving, on average, roughly 70 percent of their donations to Minnesota nonprofits—the same as in 1979-81. However, the two largest donors gave a much smaller percentage to nonprofits in Minnesota in both years, and gave smaller percentages in 1987-89 than in 1979-81. Finally, the United Way was by far the most popular federated fund drive among large corporate donors in both periods.

It appears that corporate contributions have become institutionalized into the fabric of these larger companies. Programs became more formalized, contribution staffs were larger and more professional, and companies were more likely to have a foundation or to locate contributions in general administration or their executive office instead of leaving it as a free-standing function.

Perhaps more importantly, disbursements seem to be tied more closely to revenues than to net income. Examining the ratios of contributions to net income we found a great deal of fluctuation across the six years we studied, but much of this was due to fluctuations in net income not contributions. In contrast, the ratio of contributions to revenue has been remarkably constant, ranging from .10 percent to .12 percent. This is good news for contributions staff and nonprofits, for it suggests that contributions have now become part of the routine budget making process and are not subject to the vicissitudes of short term profit taking.

This brings us to the situation of the middle size firm. The only downside of our research was that medium size companies (those with more than 200 but less than 1,500 employees) gave less in 1987-89, on average, in both current and constant dollars than the same size companies had in 1979-81 (Figure 2). From what we can surmise, the most generous donors in this group of businesses in 1979-81 either grew into the 1,500 plus employee group or relocated outside the Twin Cities by 1987-89. It’s safe to assume that the same companies are not giving less. The problem is that the companies that entered the 200-1,500 size group are not giving as much as their predecessors in 1979-81, nor are they giving as large a percentage of their revenues or net income.

If the Twin Cities are to continue as leaders in the area of corporate contributions, it is important that the two or three “leadership” firms continue to be headquartered in the Twin Cities and to give more than their fair share. But at the same time efforts need to be made to get smaller companies into the action.

In Conclusion
These results are only preliminary, and there are several other issues for us to explore in the months ahead. For example, some nonprofits experienced incredible growth during the 1980s while others declined. Still others were turnaround cases. What explains this? Are there certain management strategies which work best? As nonprofits lose funding from one source, is it better to cut back on services, reduce staff, and ride out the storm or is it better to explore new products or service lines and tap into new funders and pursue new clients? What about conflict and the quality of life within nonprofits as they go through periods of growth or decline? Is growth or decline itself the key factor explaining conflict within nonprofits or are the structures of the organization and the strategies which managers use more important. Our panel study allows us to look in detail at these questions.

Similarly there are a number of questions still to be asked regarding corporate contributions. What role does the “old boy’s network” play in contributions? In our earlier study it was a very important factor in explaining why some companies gave more and some gave less. Was it still important in 1987-89? What about the background of the chief executive officer? In 1987-89 chief executive officers were less likely to have local roots and to be long time employees of their firm than in 1979-81. Did this make any difference in terms of how much their companies gave to charity? What has happened to the organizations which sprouted up in the late 1970s to promote corporate giving in the Twin Cities—groups like the Five Per Cent Club, the Minnesota Project on Corporate Responsibility, and the Business Action Resource Council? Are they still operating today? Have successors replaced them? And, finally, what about leadership in the corporate community? Who are the leaders? As the Pillsburys, Daytons, and others have aged, who has succeeded them—well-heeled entrepreneurs, top executives of Fortune 500 firms, or representatives from the nonprofit community? If contributions have truly become institutionalized as a corporate function, are leaders really necessary any more? These are all questions that our data can address and which need to be answered in the months ahead.

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Home on the Range

by Lisa Thornquist

The Iron Range of northern Minnesota has its roots in mining. The area was first settled by Europeans in the late 1800s for the express purpose of mining the deep pockets of iron ore. Although forestry and recreation also form part of the area’s economic base, it is the mining that has dominated the economy and left an indelible mark on the landscape.

Mining towns in the United States are usually characterized by instability. Jobs fluctuate with the demand for ore and deposits are usually mined out quickly. As one site is depleted, the mining company moves on and the population moves with it. The Iron Range of Minnesota, however, is different. Although the Range has experienced the usual ups and downs of a mining economy, and working in the mines has meant that miners have endured many layoffs, the miners have developed a deep sense of commitment to the Range and have made the choice to stay rather than move on.

Miners on the Iron Range

There are several factors that have supported the miners’ ability to stay on the Range. First, the mineral deposits were so vast and so accessible that they have sustained a century of mining. Job fluctuations have been associated with changes in the demand for iron ore, not its availability. Every recession has brought hardship but jobs have always come back. Even during the Great Depression, when 70 percent of the mining jobs were eliminated within three years, the miners stayed on. Instead of moving, they developed strategies to remain on the Range. After all, jobs always came back.

Another factor has been the strong tradition of socialist ideology, that took hold on the Range in the early part of this century. It is attributed to the Finns, who may have brought socialism from the old country. Along with socialist political thought came consumer cooperatives and a strong tradi-