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**Financial Dependence and the Adoption of the Internet by non-Profit
Organisations: The Portuguese Case**

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Abstract

Despite the increasing popularity and potential associated with the use of Internet, non-profit organisations are not adopting this new information technology with the same speed other sectors like business, Governments and universities do.

Considering that the dependence from non-profit organisations on financial resources, can be related to a particular organisational profile, which is likely to influence the adoption of Internet by non-profit organisations, therefore, this paper attempts to analyse whether financial dependence influences or not the adoption of Internet, as well as, the perceived benefits and barriers associated with its use in a Portuguese sample of non-profit organisations.

Key Words: Non-profit organisations, Internet, financial dependence, benefits, barriers,

1. Introduction

The increasing popularity of the use of Internet in a wide range of different areas of society has, to some extent, compelled organisations to integrate more complex and sophisticated technologies of information to face the challenge of adopting and utilising the internet. However, this practice has been differently undertaken by organisations. While business firms and Governments are in the forefront in adopting Internet, non-profit organisations have moved at “a snails pace when integrating such systems into their organizational structures” (Akers and Coleman, 1994). Furthermore, the reasons why some sectors have been faster to adopt Internet than others remain mostly uncovered.

To date, much of the existing literature about the use of Internet, has been acknowledged as descriptive in nature and mainly focused on for-profit organisations (Abell and Limm, 1996; Hamill and Gregory, 1999; Poon and Swatman, 1997; Puro and Campbell, 1998; Walczuch et al., 2000). To our best knowledge, little research has addressed the issue of Internet in the context of non-profit organisations. Yet, information technology and the use of Internet can be of crucial importance for non-profit organisations.

It has been widely recognised that non-profit organisations are increasing in scope and scale, giving evidence of an important role in society (Salamon and Anheier, 1997a, 1997b, 1999). Non-profit organisations perform a large number of functions in society, comprises an extraordinary variety of organisational forms and their activity embraces a wide range of industries (Kendall and Knapp, 1995). The wide visibility, which Internet provides, can offer many advantages to these organisations.

Current literature on the non-profit sector has largely emphasised the dependent character of non-profit organisations for financial resources (Anheier, 1990; 1992; Smith and Lipsky, 1989, 1993; Ranci, 1994; 6, 1994; Salamon, 1995; Leat, 1995). Considering that financial dependence can be related to a particular organisational profile, which influences the organisational orientations, opinions and strategies (Anheier et al., 1997) and, to another extent, the adoption of Internet by non-profit organisations, therefore, this paper attempts to analyse whether financial dependence influences or not the adoption of Internet, as well as, the perceived benefits and barriers associated with its use in a Portuguese sample of non-profit organisations.

Given the fact that the Portuguese non-profit sector has been acknowledged as highly dependent on the state (Santos, 1987; Pereirinha, 1997; Hespanha et al., 1997) it seems that the Portuguese case may provide an interesting case study, which may be applied to other countries with similar social and cultural background.

This work-in-progress reports an on going research. The following sections present the theoretical context of the study, the research propositions and measurement of constructs. The methodological approach will be also presented and some final remarks will be addressed.

2. THEORETICAL CONTEXT OF THE STUDY

2.1 Implications of Financial Dependence for the Non-Profit Sector

In the last decades there has been given evidence of an extensive pattern of state funding of non-profit organisations which reflects not only an increasing reliance of the

state on the non-profit sector to carry out public purposes, but also emphasises a financial dependence from non-profit organisations on statutory funds. In addition, empirical evidence has suggested that public funding is a major source of non-profit finance (Salamon, 1995; James 1989; Anheier and Seibel, 1990; Kuhnle and Selle, 1992; Gidron et al., 1992; Kendal and 6, 1994).

The increasing dependence of non-profit organisations in relation to government funding has been increasingly questioned and an intense debate on the implications of a funding relationship has emphasised the argument that government support undermines the independence of these organisations, diverts them from their basic objectives, and leads to excessive professionalism (Butler, 1985; Smith and Lipsky, 1993). Equally, it is also argued that this funding relationship not only erodes strategic autonomy (Mintzberg, 1993), but also brings with it a general degradation of important capacities, such as flexibility, cost-effectiveness as well as the capacity to innovate and encourage participation (Knapp et al. 1990).

Interestingly and unusually Anheier et al. (1997) have avoided the dominant thought that non-profit funding with its corresponding problems, opinions and strategies, derives basically from public sector revenues. In fact, private resource dependencies are also found among most fields of non-profit organisations. As noted by the previous authors “the difference between predominant public sector funding and majority private sector funding emerges as the most important distinction to understand how organisations differ” (Anheier et al., 1997: 212).

Deriving from this conceptual framework a central question is formulated: To what extent does financial dependence (associated either with public sector funding or private sector funding) affects the adoption of Internet by non-profit organisations?

2.2 Non-Profit Organisations and the Internet: Barriers and Benefits

The use of the Internet by organisations can be approached through different ways. As Walczuch et al. (2000) acknowledge, in their study about “Internet adoption: Barriers for Small Firms in the Netherlands”, 91% of all surveyed firms use the Internet for

external communication via e-mail. In turn, only 25% of the firms indicate the use of the Internet for internal communication. Deriving from the previous findings, it would be relevant to analyse in which ways does non-profit organisations use the Internet.

The network of opportunities that can be obtained through the use of Internet enable non-profit organisations not only to promote their social goals, public image but also to disseminate their services and programs as well as fundraising.

In order to assess the extent to which non-profit organisations are attracted by the use of new Information Technologies, such as the Internet, and considering the scarcity of studies addressed to non-profit organisations, this study applies mostly to the literature on small business firms (Abell and Limm, 1996; Feher and Towell, 1997; Hamill and Gregory, 1997; Haynes, Becherer and Helms, 1998; Poon and Stron, 1997; Poon and Swatman, 1997; Walczuch, 2000).

Having the previous contributions in consideration, it seems relevant to analyse the perceived benefits and barriers associated with the use of Internet for non-profit organisations. A large number of empirical studies have been conducted to identify the major benefits associated with the use of Internet in small for-profit firms (Abell and Limm, 1996; Poon and Stron, 1997; Poon and Swatman, 1997; Walczuch, 2000).

With regard to the benefits, effectiveness in information gathering and availability of expertise are emphasised by Abell and Limm's (1996) as important advantages for the use of Internet by small firms. Additionally, Poon and Swatman (1997) suggest that direct and indirect advertising, low cost communication, and easy access to potential customers are considered the most important. The benefits considered least important are competitor's performance benchmarking, interoffice documents exchange, and access to government and trade organisation data. However, not all the benefits and barriers are perceived in the some degree of importance by small firms.

Concerning the barriers associated with the use of Internet, Walczuch et al. (2000) emphasised the existence of two market research studies focusing on barriers for small business. As they pointed out, the first research studies were undertaken by Abell and Limm (1996) who studied firms already present in the Internet. They have mainly

stressed the security aspects associated with the use of Internet, such as guarantee of message delivery, tampering with network messages, unauthorised access to internal networks, verification of authorship of messages and enforceability of contracts negotiated over the network. Abell and Limm (1996) also emphasised the decreased productivity through frivolous use as an important barrier for using the Internet. The second research studies were conducted by Purao and Campbell (1998) and have emphasised a number of barriers associated with start-up costs, unfamiliarity with the web and lack of guidance about how to start the process. Purao and Campbell (1998) also stressed the security hazards as an important barrier for using the Internet.

Based on the previous studies, Walczuch et. al (2000) found that the main barriers to Internet adoption and to developing a Web presence are related with the fact that the Internet would not lead to more efficiency or lower costs.

Considering the foregoing discussion, the present study attempts to examine some of the aforementioned benefits and barriers within the context of non-profit organisations.

3. Research Propositions

The major aim of the present study is to identify a possible relationship between two major constructs: financial dependence and the adoption or non-adoption of the Internet. Drawing from a resource dependence approach, which compares with Anheier et al (1997), is expected that the stance assumed by non-profit organisations regarding the adoption of Internet will be related with the dominant type of revenue.

The present study goes further and examines the perceived benefits and barriers associated with the use of Internet in relation to the dominant type of revenue. Therefore, the following research propositions are suggested:

Adoption of Internet

H1: Financial dependence predominately associated with public sector funding is likely to lead to non-adoption of the Internet by non-profit organisations.

H2: Financial dependence predominately associated with private sector funding is likely to lead to the adoption of the Internet by non-profit organisations.

Benefits and Barriers

H3: Non-profit organisations, which are predominantly financed through public sector sources tend to attribute more importance to the barriers than to the benefits associated with the use of the Internet.

H4: Non-profit organisations, which are predominantly financed through private sector funding tend to attribute more importance to the benefit than to the barriers associated with the use of the Internet.

4. Methodology and Measurement of Constructs

Drawing upon the tradition of positivism and following similar studies in the field, the present study applies mainly to a quantitative approach. The constructs will be measured objectively using a questionnaire. The study requires the collection of data from a sample of non-profit organisations operating in various areas of activity (*see Appendix A*).

With respect to the measurement of constructs, financial dependence will be assessed by asking the respondents information about the revenue structure (Table 1), so that the predominant source of funding can be identified.

Table 1 – Types of revenue sources

Revenue Source	Type of revenue
Public funding	<ul style="list-style-type: none">• Public Grants• Third party payments
Private Funding	<ul style="list-style-type: none">• Private donations• Private fees and payments

Adapted from Anheier et. al (1997)

Having identified and grouped non-profit organisations by their dominant revenue source, then it will be examined how these types relate to the adoption or non-adoption of the Internet.

The perceived benefits (Table 2) and barriers (Table 3) associated with the use of Internet will be analysed through a set of variables identified from the literature review and from the exploratory interviews. In both cases, several items will be measured by asking non-profit organisation’s managers to indicate the degree of importance of the following items:

Table 2 Perceived Benefits

Items *	Source
Improving the public image	Exploratory interviews
Public recognition and notoriety	Exploratory interviews
Savings in advertising costs	Poon and Swatman (1997)
Low cost communication	Poon and Strom (1997)
Availability of expertise	Abell and Limm (1996)
Fundraising source	Saxton and Game (2001)
Dissemination of social values	Saxton and Game (2001)
Dissemination of Programs of action	Saxton and Game (2001)
Interconnectivity with state agencies	Exploratory interviews
Form and extend non-profit networks	Exploratory interviews
Recruitment of staff and volunteers	Saxton and Game (2001)
Improving operating efficiency	Saxton and Game (2001)
Improving service delivery	Saxton and Game (2001)
Greater customer satisfaction	Abell and Limm (1996)

Table 3 Perceived Barriers

Items *	Source
Costs (start-up costs)	Purao and Campbell (1998)
Unfamiliarity with the internet	Purao and Campbell (1998)
Security hazards	Purao and Campbell (1998)
Beneficiaries/Users without access to the internet	Abell and Limm (1996)
Decreased productivity due to frivolous use	Abell and Limm (1996)
Lack of expertise	Exploratory interviews

* Measured on a five Likert-point scale (1=Very important ; 5= Very unimportant)

Considering the foregoing discussion, this research attempts to examine the aforementioned benefits and barriers within the context of non-profit organisations. Since this study is in an early stage, some findings derived from exploratory research will be presented and expected implications for non-profit managers and policy makers will be outlined.

Appendix A – International Classification of Non-profit Organisations

Internation Classific.	Field of Non-profit Activity *	State Department	State Agency
Group 1	Culture, recreation Organisations and activities in general and specialized fields of culture and recreation.	Ministry of Culture	IPAE – Instituto Português
Group 2	Education, research Organisations and activities administering, providing, promoting, conducting, supporting and servicing education and research.	Ministry of Education	Instituto António Sérgio do Sector Cooperativo
Group 3	Health Organisations that engage in health-related activities, providing health care, both general and specialized services, administration of health care services, and health support services.	Ministry of Health	Direcção Geral de Acção Social
Group 4	Social Services Organisations and institutions providing human and social services to a community or target population	Ministry of Social Solidarity	Direcção Geral de Acção Social
Group 5	Environment Organisations promoting and providing services in environmental conservation, pollution control and prevention, environmental education and health, and animal protection.	Ministry of Environment	IPAMB – Instituto de Promoção Ambiental
Group 6	Development and Housing Organisations promoting programs and providing services to help communities and the economic and social well-being of society	Ministry of Foreign Affairs	Instituto da Cooperação Portuguesa
Group 7	Civic and Advocacy Organisations and groups that work to protect and promote civil and other rights, or advocate the social and political interests of general or special constituencies, offer legal services and promote public safety.	Comissão da Condição Feminina	Presidência do Conselho de Ministros
Group 8	Philanthropic Intermediaries and Voluntarism Promotion Philanthropic organisations and organisations promoting charity and charitable activities	Ministry of Social Solidarity	Direcção Geral de Acção Social
Group 9	International Activity Organisations promoting greater intercultural understanding between peoples of different countries and historical backgrounds and also those providing relief during emergencies and promoting development and welfare abroad	Ministry of Foreign Affairs	Instituto da Cooperação Portuguesa

* Source: Salamon and Anheier (1997a).

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