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Wednesday, August 17, 2011

Nonprofit? Really, is that the best name we can come up with?



posted by
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This topic gets trotted out a lot, so maybe that just means it's worth having again. We discuss it in one of my graduate seminars, but a blog post is probably a good place to gather up people's reactions in the comments section. Really, I'd love to hear your thoughts.

In my last blog post, I suggested that the idea of "sector" has taken hold, which means that we need a way to refer to all the organizations that fall inside such a sector. Clearly, to me anyway, the frontrunner is "nonprofit organizations" operating in a "nonprofit sector." The word nonprofit is in the Lodestar Center's full name, it's in my job title, and it's in the name of my professional association. If our goal is to communicate clearly, then nonprofit sticks because most people know what we mean when we use it.

The problem is that this isn't always the case. At a dinner party, when you tell somebody that you work for a nonprofit organization, there's a fair chance that your drinking buddy will react something like, "Oh, yeah, a nonprofit organization. Those things that can't make a profit." Well, no... the defining characteristic of the nonprofit organization is that it returns all of its surplus income ("profit") to furthering its mission, rather than feathering the pockets of owners. But the moniker "nonprofit" doesn't exactly make that clear. There are at least three shortcomings with the name: (1) it defines the sector in economic rather than social terms; (2) it does so in a confusing way; and (3) it approaches these organizations in terms of what they are *not* or what they *cannot do*, rather than what they are and what they seek to add to our lives.

Can we do better?

Well, there are a host of alternatives, some of which already have some currency. One alternative is to go with the U.S. federal term: the tax-exempts. A defining characteristic of the "sector" we're trying to name is that they don't pay federal income tax, so tax exempts, or exempt entities, sums it up pretty well. You hear these terms regularly in regulatory and legal contexts. However, it's a bit dry, and not generally used outside of those circles. Maybe we should adopt these as preferred terms?

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We should stop a minute and notice a big division in the sector that makes proper naming difficult. Some of the tax-exempts focus on serving members, and some focus on serving a broad public mission. This is a big deal because the federal government confers some nice benefits on the ones with a public mission. If you get your tax-exemption under section 501(c)3 of the Internal Revenue Code, you get a special name: public charity.

I actually use public charity a lot, and some people abbreviate to just charity. The problem here, I think, is in the baggage that comes along with the term "charity." Its deep roots refer specifically to service to the poor, which is pretty limiting when it comes to describing the great breadth of organizations with a claim on public benefits. I recall a conversation with my wife some years ago, when I was describing my research subject organizations as "charities." She asked if tax-exempt housing finance organizations would fall under my category of "charities." Yes, I said. Said my wife, "I don't think they'd call themselves charities, and I think they'd resist it if they heard you calling them that." Point taken. Cue up any support for benevolent, charitable, and eleemosynary, which all carry the same baggage.

In some contexts, nongovernmental organization, or NGO, is popular and widely used. It particularly has currency in international discussions, where U.S. organizations provide services in other countries. I've heard people who work in these contexts use the term NGO to refer broadly to all organizations operating in the domestic tax-exempt sector. I've also seen others look confused when they do it. In addition to its specialized usage, another shortcoming of the term is its "non" prefix, again defining the sector in terms of what the organizations are *not* rather than what they *are*. Further, the term does not differentiate nonprofits from private businesses, which are also nongovernmental. Nonetheless, given its currency, NGO is a candidate.

Not-for-profit. Yeah, I guess, if you want. Whatever.

A long history of political philosophy gives us a couple other options. One is to refer to this sector as civil society, and, I suppose, to its inhabitants as civil society organizations. You see this in the name of the academic center at Johns Hopkins University, the [Center for Civil Society Studies](#). I do use it on occasion in my own writings, usually just to break up the monotony of how I refer broadly to the sector. However, one shortcoming is that its long history and current usage is broader than what we think of as the sea of U.S. tax-exempts. Particularly in international development, civil society refers generally to life and interaction at the community level, not particularly to any formal organizations that might happen to operate there. Still, meanings change, or take on new meanings in particular contexts, so civil society is a candidate.

The other term that comes from political philosophy is the commons, a term championed by Roger Lohmann in his 1992 [book](#) with that name. However, the term hasn't caught on.

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Nonetheless, advocacy for the commons might give us some hope that we might come up with a brand new term to aptly describe the sector. [Hildy Gottlieb advocates](#) for adopting the term community benefit organizations. Definitely click that link and see what she has to say about it. The thing I like about community benefit is that it hews fairly closely to how the public charities are described in the [Internal Revenue Code](#): they must have a *public purpose*. However, one shortcoming is that the

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term may be somewhat restrictive – many tax-exempts, and particularly the member-serving ones, have missions that are not particularly about *community*. Nonetheless, use of **community benefit sector** should get an honest hearing.

Look no further than the ASU Lodestar Center's mission for a reference to **social sector**: Their mission is *to help build the capacity of the social sector by enhancing the effectiveness of those who lead, manage, and support nonprofit organizations*. Okay, nonprofit organizations is in there, too, but maybe social sector can help us describe the collective in a useful way. My view of the term is colored by the first time I heard it, in a speech by an eminent scholar from outside our field who told us that this is the expression ("social sector") that we all should be using. An indignant room full of "who are you to tell us what we call what we study!" set up some resistance to the term. Still, I see it catching on. I do use it on occasion, sometimes to break up the monotony, and sometimes to have a shorthand way to refer to the full breadth of the sector. That is, I use **nonprofit sector** to (incorrectly!) refer only to the public charities, and **social sector** to include all the member-serving and informal associations as well. In any case, and regardless of whether people know precisely what they really mean when they use the expression, **social sector** is becoming a preferred term around many water coolers.

Another candidate is **voluntary sector**. The problem here is that in some circles, it refers specifically and only to non-staffed, all-volunteer-run organizations. That's maybe a good term to use for those kinds of entities, but does not play so well for the rest of the sector. When it does get used to describe the whole of the sector, it reinforces the perception of the field as 'hobby' action and plays down the increasing professionalization and bureaucratization of the sector. Maybe somebody else will be a better advocate for voluntary sector than I am.

Another term that gets thrown around is **third sector**. You don't usually hear about the other two, but government is the first sector and for-profit business is the second sector. This term is used fairly often by people who study and write about the field, like at the **Israeli Center for Third-Sector Research**, but I don't recall ever hearing it used out in the field of practice. The complaint is that it implies a pecking order, with nonprofits coming in somewhere lower or behind government and business. **Third sector** calls to mind *third world* or *third place*. Bronze medal. Ugly stepsister. Another shortcoming is that it doesn't convey any descriptive meaning at all. That said, this is a preferred term for some people. You know who you are.

An option that seems to have been on the decline for awhile is **independent sector**. It had enough currency in 1980 for the new advocacy organization **Independent Sector** to take on the name. **But independent from what?** As social enterprise grows in caché and its applications multiply, public goods cannot be said to be independent from business. In 2009, U.S. **human service nonprofits received \$100,000,000,000 in grants and contracts from government**, so the sector can hardly be said to be independent from the state. Independent sector has a nice jingoistic ring to it, but that's about it.

So, back where we started, with **nonprofit sector**. A totally imperfect term. However, my position on this goes back to my first claim at the top of this post: if we want to communicate clearly, both to ourselves and to others outside the field, we need to use the term with the broadest currency. Somehow, in a **fairly short period of time**, nonprofit organization and nonprofit sector has gained general acceptance. Still, I think we can grow by debating about it, and maybe we'll slowly gravitate toward something better. For me, and until then, I'll be using nonprofit, no space and no hyphen.

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Mark Hager is associate professor of nonprofit studies at ASU. If you enroll in the Master of Nonprofit Studies degree program, you'll take one, maybe two, maybe even three classes with him. If you want to see what all he has written and talked about, [click here](#).



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Posted by ASU Lodestar Center at 12:02 PM

Labels: [Mark Hager](#), [nonprofit terminology](#), [sectorness](#), [terminology](#), [unity](#)

8 comments:



Laura Bush August 17, 2011 12:19 PM

Love it, Mark! But, of course, probably only people deeply involved in the nonprofit, independent sector, third sector, yada yada yada will care enough to read all the way through this! Still, it's valuable to get the range and history of past and recent terminology for myself. I'd just be glad if the general public get the gist of the misnomer (nonprofit) and then realize/accept/embrace the idea that nonprofit organizations NEED to make a profit (no "non" profit about it)!

[Reply](#)



Kayla L. McKinney August 17, 2011 1:38 PM

I prefer social sector, though I'm not exactly sure why. I think I appreciate how it's so specifically human-centric, while terms like "nongovernmental organization" seem so removed and cold. Though I guess a problem lies with that, too, since not all nonprofits work exclusively for people (like animal shelters or environmental organizations.) ...Though I suppose they're also helping humans, albeit a little more indirectly.

Exhaustive.

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Terry McManus August 17, 2011 2:19 PM

I remember having this same debate in your class back in 2009 I think. It is a difficult issue. How should/does one brand an entire sector? Having spent most of my professional career working for "nonprofits" I don't really know what meaning those outside of the sector apply to that term. I certainly agree with your point that most of the lexicon is rooted in what we don't do as opposed to what we actually do. As for the alternatives you delineated, Community Based Organization seems alright. the acronym CBO has a nice ring to it.

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Hildy Gottlieb August 17, 2011 4:40 PM

Mark:

First, yeay! And thanks for the link to our thinking on this.

I'm not sure you saw that PANO (PA Assoc of NP's) has adopted the terminology for all their work. Waiting to see if that means a name change for them!

One thing I like about Community Benefit terminology is it speaks to the difference we have the potential to effect. It also is one of the few terms I've heard bandied about that is about the people whose lives will be impacted by our work - the actual impact we want to have - rather than the sector/orgs themselves (Nonprofit is not only negative - it's all about us!).

So whatever name this sector chooses, it would be terrific if a) It inspires people doing the work, reminding them of what we have the potential to create, and b) it talks about the people whose lives we want to impact, rather than talking about those of us doing the work ("voluntary" and "charitable" sector also being familiar terms that are again, all about us...)

So thanks for a thoughtful post that - no surprise - gets folks thinking!

Hildy

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LaurieM August 18, 2011 5:17 PM

Lynn Eakin suggests that nonprofits are part of the "public benefit economy." She writes about using a new language and a new way to approach the nonprofit and charitable sector [here](http://lynneakin.com/frameset/frameset.taf?item_uid=987):
http://lynneakin.com/frameset/frameset.taf?item_uid=987

Laurie

[Reply](#)



Nick L. August 20, 2011 8:12 AM

I identify nonprofits as Nongovernmental Nonbusiness Organizations or NNOs because of my background in accounting. Nonetheless, describing nonprofit entities in this manner is long and technical, and the misnomer further reiterates what the sector is not.

Also, the term tax-exempts does not properly describe those nonprofits who are not identified by the IRS as a 501 (c). Thus creating even more of a division.

I would like to see a term be used that I believe assist with the three shortcomings mentioned. The contributory sector is described in social terms, it is not confusing, and it does describe what these organizations are and able to add.

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marsha trouton February 13, 2012 1:49 PM

I have to say, the delineation "public charity" is much

better than the economically-oriented nonprofit organization. I, myself, would wonder what financial acrobatics nonprofit orgs were using when claiming they didn't make any money lol. The latter term really drives home the point that the org exists not to make money for the overseeing officers per se; but to reinvest in the principle of the endowment fund to ensure the continued existence of, say, a museum or university or something. This should really become the standard way of referring to it; perhaps to the tune of an entry in wikipedia, for starters?

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Michael Jones August 10, 2012 10:44 PM

I'm a big fan of substituting tax-exempt for nonprofit. Not having to pay certain taxes is definitely not a nonprofit lol. Otherwise, taxes are a fact of life.

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