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The Role of Intangible Assets in Decision Making
by Funders of Community-based Nonprofit Organizations

A DISSERTATION

SUBMITTED TO THE FACULTY OF THE COLLEGE OF EDUCATION,
LEADERSHIP AND COUNSELING OF THE UNIVERSITY OF ST. THOMAS

by

Barbara J. Milon

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF DOCTOR OF EDUCATION

May 2017

UNIVERSITY OF ST. THOMAS

We certify that we have read this dissertation and approved it as adequate in scope and quality.

We have found that it is complete and satisfactory in all respects, and that any and all revisions required by the final examining committee have been made.

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May 30, 2017

Abstract

Intangible assets are very important and valuable elements of any organization. However, intangible assets are not measured by funders and are not specified by community-based nonprofit organizations. Nonprofits' inability to assess and measure intangible assets impedes a funder's ability to serve and impacts their decision making. Identification of intangible assets supports answering important questions about what a nonprofit brings to the table and can associate it with the value of the organization. Additionally, identification of intangible assets helps to demystify some of the considerations funders examine during the decision-making process.

The purpose of this dissertation research was to define what intangible assets are and their value; explore the importance of identifying intangible assets for nonprofits as they relate to applying for funding; and examine what funders are doing about understanding and assessing intangible assets. The research question was: What are the perceptions of intangible assets of people in agencies that fund nonprofit organizations in Minnesota? An interpretive multiple case study explored the perspective of the interview participants and their knowledge of intangible assets. The findings indicate that if funders began to recognize and measure intangible assets, they would be able to make more sound decisions about which organizations they choose to fund. Additionally, it would add value to community-based nonprofit organizations to be able to identify their intangible assets and include them in funding applications.

TABLE OF CONTENTS

Chapter One: Introduction	1
Background and Interest	1
Community organizing and intangible assets	2
Importance of intangible assets.....	3
Tangible vs. intangible assets in funding decisions.....	4
Intangible assets and strength-based perspective.....	5
Problem Statement.....	9
Purpose of the Study and Research Question	10
Significance of the Study	10
Definition of Key Terms	10
Intangible assets	10
Community-based nonprofit organizations.....	11
Value	11
Fundors.....	11
Chapter Two: Literature Review	12
Understanding Intangibles and Intangible Assets.....	12
Defining intangible assets	12
Nature of intangible assets	13
Types of intangible assets	13
Intellectual capital.....	13
Knowledge	14
Cultural heritage.....	16
Social capital.....	16
Resiliency.....	19
Value of Intangible Assets	19
Emarita and Chase	20
Alle.....	20
Emerson	22
Bontis	22
Lopes.....	22
Gibbs.....	23
Measuring Intangibles.....	23
Social return on investment	24
Blended value.....	28
Summary.....	30
Chapter Three: Research Methodology.....	31
Selection of Participants	31
Criterion for selection	31
Participant selection	32
Data Collection	32
Data Analysis	33
Coding.....	34
Confidentiality and Anonymity	35
Bias	35

Validity	36
Limitations	36
Delimitations.....	36
Chapter 4: Findings.....	37
Participant Profile	37
Case Analysis.....	38
Case 1: Mary.....	38
Beliefs about intangible assets	39
Measuring intangible assets	39
Summary.....	41
Case 2: John	41
Beliefs about intangible assets	42
Measuring intangible assets	44
Summary.....	44
Case 3: Sue.....	44
Beliefs about intangible assets	44
Measuring intangible assets	46
Summary.....	46
Case 4: Rachmaninoff.....	46
Beliefs about intangible assets	47
Measuring intangible assets	47
Summary.....	49
Case 5: Isabella	49
Beliefs about intangible assets	50
Measuring intangible assets	50
Summary.....	51
Case 6: Diana	51
Beliefs about intangible assets	52
Measuring intangible assets	53
Summary.....	54
Case Analysis Summary	54
Cross-Case Analysis and Themes	55
Themes.....	56
Chapter Five: Discussion.....	57
Theme Development.....	57
Theme I: Lack of measurement of intangible assets.....	58
Measuring hope.....	59
Measuring resiliency	61
Measuring reputation	60
Summary.....	61
Theme 2: Leadership is an intangible asset	64
Leadership and governance.....	64
Leadership talent.....	65
Summary.....	65
Theme 3: Reputation is an intangible asset.....	66
Factors that comprise reputation.....	66

Reputation in a crisis.....	68
Summary	68
Theme 4: Commitment to equity and caring about the community	69
Cultural equity and inclusion.....	69
Achievement opportunity.....	70
What works.....	70
Second chance.....	71
Education and workforce opportunity.....	71
Summary.....	72
Theme 5: Intangible assets and intangible outcomes.....	73
Importance of the study	74
Implications for organization development	76
Suggestions for future research.....	77
Conclusion	78
References	79

Appendices

Appendix A: Recruitment Letter	88
Appendix B: Interview Questions.....	89

List of Figures

Figure 2.1. Value Conversion Strategy Model	21
Figure 2.2. WebTrack Management Information System	26
Figure 2.3 Blended-value diagram.....	29
Figure 5.1. Standard's and Poore's 500 Market Value Analysis.....	74

List of Tables

Table 4.1 Participant Education and Experience	37
Table 4.2 Identification of Intangible Assets	55
Table 4.3 Intangible Assets Identified in Literature and by Interview Participants	56

Chapter One

Research Background and Interest

Over the years, I have served as a volunteer on funding selection committees for numerous nonprofit organizations, including as a member of the Minnesota Nonprofit Assistance Fund Board of Directors; the City of Cincinnati Small Business Loan Fund/Economic Development Department and Treasurer; Chair of the City of Cincinnati Community Development Advisory Board/Council; the first woman and African American Chair of the Ohio Community Development Finance Fund Board of Directors, twice elected; Fifth Third Bank's first Homeruns for Housing Grant Committee; Provident Bank's Loan Declination Review Committee; and the Bank One Advisory Committee. From these experiences, I have observed that community-based nonprofit organizations strive to meet incredible individual and family needs that can make the difference in the quality of life for everyone in the community. Recently released offenders need to learn emotional regulation and other behaviors that will keep them from returning to prison. Preschool children need to learn pre-academic, social, and other skills so they are prepared for school. Families often need skills to support their child's academic development. People who have no, low, and moderate incomes need safe and affordable housing. Community-based nonprofit organizations respond to and provide valuable resources and services to meet these varying needs of children, youth, families, and the community. During my career in the nonprofit sector I have been intrigued with the challenge of describing and reporting qualitative results. As many funders areas of interest shifted over the years the predominant reporting requirements often focused on quantitative results. Longitudinal data analysis is not addressed in most nonprofit organizations nor is there joint collective reporting for community based nonprofit organizations located in the same geographic location. based on defined

geographic opportunity to convey results over time. This type of reporting would provide an opportunity to understand impact over time. The identification of intangible assets and intangible outcomes would support contributing to reporting qualitative factors.

Problem Overview

Community organizing and intangible assets. Community organizing involves working with members of the community to work toward a desired vision for that community. One function of community organizing is to mobilize people and resources in support of an identified goal(s). Community councils are often the designated and recognized organization for conducting this work among area funders, although there may be more than one community organization and/or group within the neighborhood. As the recognized entity, a neighborhood community council is often responsible for planning and advancing the goals of neighborhood residents.

Often during these efforts to organize, the power of community is discovered. Part of this discovery is about the existence of both tangible and intangible assets. Intangible assets support the very basic framework of community and the process of community organizing. An example of this is knowledge, which is a very valuable intangible asset for communities. As Pugh (2003) stated in a personal conversation with me, “The knowledge of a community is its commodity.” Pugh’s statement was very profound. I never forgot the statement because the statement is a recognition and understanding about the wealth of knowledge, and information by people and institutions within communities. Her statement is relevant to this research because knowledge is an intangible asset (Alle, 2008; Bontis, 2000).

To illustrate community knowledge, Kretzmann and McKnight (1993) created a diagram that establishes multiple linkages to individuals or groups who have a wealth of knowledge,

experience, and information. These linkages are from the “library of community knowledge,” which includes information, data, “how and know how; the ability and capacity to turn that knowledge into action” (p. 136). Examples of community knowledge are resident management groups, block clubs, community councils, college student associations, high school students, and others who create new businesses and galvanize resident participation.

This type of organizing and gathering of community knowledge could be seen in action when members of the Neighborhood Development Corporations Association of Greater Cincinnati and the Housing Services Organizations members and the area financial institutions including all the major banks in partnership with community members, catalyzed an affordable housing development movement. The organizations used their knowledge of the needs of community members to enable homeownership counseling opportunities, establish public and private partnerships, and secure real estate housing construction, renovations, and financing. These efforts resulted in homeownership becoming a reality for first-time homeowners and others in the community—addressing many needs in those communities. There are 53 different neighborhoods in Cincinnati plus the neighborhoods in Northern Kentucky and Hamilton, Ohio.

Importance of intangible assets. In my experience, grant and loan funding for nonprofits do not identify intangible assets as an information request category. There is certainly inference of and discussion about the existence of intangible assets during funding evaluations, although they may not be specified as intangible assets during deliberations. For example, funders often want to know about intangible assets such as the organization’s leadership, knowledge related to the mission of the organization, capability (track record) to implement a project, the brand and reputation of the organization, marketing efforts, and other related areas. Despite including these intangible assets informally as part of the funding evaluation, the

problem is the formal lack of recognition and description of these assets. This results in the lack of a direct association of intangible assets to the funding of the organization.

The identification of intangible assets can be powerful, persuasive, and a valuable part of the process for learning about a community. The identification of intangible assets by a community-based nonprofit organization contributes to the strength of funding applications. Loan and grant reviewers look for information in an organization's funding application that identifies the history, mission, and track record of the organization related to the purpose of the request, amount requested, and a determination about the application meeting eligibility criteria. The identification and inclusion of intangible assets can strengthen the application's narrative, leading the reviewers to more clearly include and assess these assets.

Tangible vs. intangible assets in funding decisions. The problem of nonprofit funding involves millions of people in the U.S. who benefit from the resources and services provided by nonprofit organizations. Too often intangible assets are not assessed or counted in funding for nonprofit organizations. Having worked on both sides of the funding process, I understand the value of having community-based nonprofit organizations at the table for community conversations, and funding them appropriately to help drive the desired changes in the community.

Nonprofit organizations are funded by a variety of types of funders, which includes foundations, government sources, and others. Funders provide financial support and other resources to support nonprofits in their efforts to achieve their missions and improve their communities. The difficulty I have seen in the funding process is that funders are not always aware of intangible assets, do not know how to measure intangible assets and their related

outcomes, and often do not directly acknowledge intangible assets. As a result, intangible assets are not included in the decision-making process.

Because intangible assets may not be recognized, understood, or measured, the value of these assets is not established. However, intangible assets hold a large amount of value in organizations. According to Thiagarajan and Baul (2014), “about 65 percent of total value of firms in the world is intangibles, with India occupying third place” (p. 44). According to Loumioti (2011), “21 percent of U.S.-originated secured syndicated loans during 1996 – 2005 have been collateralized by intangibles, with intangible asset collateralization significantly increasing over the time period” (p. 1).

Unlike intangible assets, tangible assets are quantitative, measurable results that are often a primary focus of funders during the evaluation process. According to Ostrower (2004):

Larger foundations place more emphasis on the presence of measurable outcomes as a criterion in their grant-making decisions. While only 26 percent of the smallest foundations report that measurable outcomes are very important criteria, that figure rises to 49 percent among the largest foundations. (p. 5)

Intangible assets and strength-based perspective. The strength-based approach is the inward determination and outward manifestation to recover from circumstances and barriers resulting in affirming tenacity, such that if you first do not succeed, try, and try again with the intangible assets of determination and resiliency. A contemporary popular gospel song by the Clark Sisters (1994) describes this succinctly:

I'm looking for a miracle

I expect the impossible

I feel the intangible &

I see the invisible (2x)

(Bridge)

The Sky is the limit

To what I can have

(Repeat x3)

Just believe and receive it

God will perform it today

Hey, hey, ay

Just believe and receive it

God will perform it today

I'm Looking for a miracle

I expect the impossible

I feel the intangible

I see the invisible

(Bridge)

The Sky is the limit

To what I can have

(Repeat x3)

Just believe and receive it

God will perform it today

Hey, hey, ay

Just believe and receive it

God will perform it today

I expect a miracle every day
God will make a way out of no way
Just believe and receive it
God will perform it today
Hey, hey, ay
God will perform it today

(Repeat Vamp exiting x5) (The Clark Sisters)

According to Robert Lane, Board Chair for the Neighborhood Development Corporations of Greater Cincinnati (NDC Association/NCDA), stated “we must first come from a position of strength,” (Lane, personal communication, 1992). The statement was an inspiration in support of affordable housing development for low-income residents in low and moderate income neighborhoods. The strength-based approach guided the efforts of the NDCA specifically in support of policies and actions contributing to affordable housing development for low-income residents and communities. This statement supported the leadership and members to stand up for the community and low-income residents. One example of this support was the continuation of a city budget line item and city department supporting affordable housing development. Affordable housing development is primarily produced by nonprofit community/neighborhood (community) development corporations because for-profit developers find it insufficiently profitable and there are numerous requirements for Low-Income Housing Tax Credit (LIHTCs) development.

Similarly, according to the National Technical Assistance and Evaluation Center for Systems of Care (2008), “An individualized strength-based approach refers to policies, practice methods, and strategies that identify and draw upon the strengths of children, families, and communities” (p. 1). Intangible assets such as resiliency contribute to this paradigm of strength.

Resiliency is the capability to prevail so as not to be deterred from what the individual or organization seeks to accomplish, and thus contributes to the individual or organizational bank of intangible assets.

I understand the value of a strength-based perspective as an intangible asset because of my personal community organizing experiences. For example, when I was the former Executive Director for the Bond Hill Community Dispute Settlement Project (BHCDSP), which was funded by the federal Law Enforcement Assistance Administration grant, Bond Hill became the first Cincinnati neighborhood to establish a Volunteer Referee Program supported by Hamilton County Juvenile Court. The objective of the program was to deter youth who committed first time misdemeanor offenses (e.g. shoplifting, disorderly conduct, trespassing, criminal damage, unruliness, neighborhood disputes, and curfew violations) from establishing a criminal record with Juvenile Court. The Volunteer Referee Program provided an unofficial hearing by an attorney who gave a disposition on the misdemeanor committed.

The program was used by Bond Hill residents, business entrepreneurs and proprietors, District 4 Police in Cincinnati, Ohio, and Woodward High School and other community schools. Bond Hill residents volunteered as mediators and were provided mediation training. Volunteer mediators made calls to parents to inform them when students were not attending school. Bond Hill Business owners used the program as a referral system and source to address concerns and complaints. The program was by and for the community. We all had a vested interest in student academic achievement, students attending school, thriving neighborhood businesses and a community in which we worked, worshipped, and lived in.

The Bond Hill Community Dispute Settlement Project offered resources to every segment of the community – residents, businesses, churches, young, old, parents and children,

black and white. Outcomes of the Bond Hill Community Dispute Settlement Project included improved relationships for families, neighbors, businesses, schools; conflict resolution more quickly than through the traditional avenues of the legal system; increased attendance in school; and deterred youth from Hamilton County Juvenile Court through mediation. The project outcomes included both tangible and intangible assets for the community.

Intangible assets by their very definition contribute to a paradigm of strength. Strength in association to perseverance is an intangible asset, a characteristic formulating one's resolve or determination that shapes, forms, and influences the attainment of a personal or community goal. According to research by the U.S. Child Welfare Information Gateway (2008), individualized strengths refer to policies, practice methods, and strategies that identify and draw on the strengths of children, families, and communities. Strength-based practices involve a shift from a deficit approach, which emphasizes problems and pathology, to a positive partnership. A strength-based approach by community-based nonprofit organizations exemplifies the metaphor of a cup half full versus half empty when community nonprofit organizations are at the table. The cup half full symbolizes that the community comes to the table with intangible assets and/or tangible assets, both of which are strengths that should be considered when making funding decisions.

Problem Statement

Nonprofit organizations serve the needs of people that no one else serves. To accomplish this important work, nonprofits must seek the financial support of funders. One of the key challenges of nonprofits seeking funding is the inability to highlight all the assets they possess, both tangible and intangible. Nonprofit organizations are missing the identification of intangibles that are of significant value for securing funding. Funders of nonprofit organizations are

challenged by a lack of a vocabulary for intangible assets to be used in evaluating and understanding these assets for funding decisions. There is no agreement among nonprofits and funders on what intangible assets are or how to assess them. Funders often want quantifiable results and may overlook intangible assets. Intangible assets that remain unrecognized and unassessed may result in not receiving funding, which in turn results in unmet needs among the constituents served by nonprofits.

Purpose of the Study and Research Question

The purpose of this dissertation research was to define the nature of intangible assets and their value in regards to nonprofits; explore the importance of identifying intangible assets for nonprofits as they relate to applying for funding; and examine what funders are doing to understand and assess intangible assets. The research question was: What are the perceptions of intangible assets of people in agencies that fund nonprofit organizations in Minnesota?

Significance of the Study

This research is significant because it identifies and defines intangible assets within community-based nonprofit organizations that are not recognized by funders and or the nonprofits themselves. Identifying and defining intangible assets provides both nonprofits and funders with an ability to better understand and evaluate the strengths of organizations in making funding decisions. The analysis also adds to social science research about intangible assets and illuminates the perspective of some funders of community-based nonprofit organizations.

Definition of Key Terms

Intangible assets. Intangible assets are perceptible, but not physical in nature as defined by Webster Dictionary. The Financial Accounting Standards Board (2009) identifies intangible asset as “an asset (not including a financial asset) that lacks physical substance” (p. 18).

Community-based nonprofit organizations. According to Jennings (2005), “community based organizations and nonprofits provide human, social, and education services that help to ensure a decent standard of living for residents and citizens” (p. 5). These organizations are associated with the delivery of human services, the arts, culture, education, affordable housing development, the environment, religion, membership associations, and international services.

Value. Value is established by empirical and qualitative data, and is substantiated by describing and attributing significance to create importance and understanding.

Funders. Funders are philanthropic organizations whose representatives are responsible for recommendations and decisions resulting in the funding of programs, services, or products produced by community-based nonprofit organizations.

Chapter Two: Literature Review

Understanding Intangibles and Intangible Assets

Defining intangible assets. To derive an understanding about intangibles and intangible assets, it is important to define intangibles and intangible assets as they pertain to the literature review. While both intangibles and intangible assets are related, a distinction is made between the two. The Business Dictionary's (2014) definition and identification of intangible assets is:

Intangible assets are the long-term resources of an entity, but have no physical existence. Intangible assets derive their value from intellectual or legal rights and from the value they add to the other asset. Intangible assets are generally classified into two broad categories: limited life intangible assets, such as patents, copyrights, and goodwill, and unlimited life intangible assets such as trademarks.

Investopedia (2014) defined intangible assets as “an asset that is not physical in nature.” Corporate intellectual property (e.g., patents, trademarks, copyrights, and business methodologies), goodwill, and brand recognition are all common intangible assets in today's marketplace. An intangible asset can be classified as either indefinite or definite depending on specifics of that asset. A company brand name is considered an indefinite asset as it stays with the company as long as the company continues operations. However, if a company enters a legal agreement to operate under another company's patent, with no plans of extending the agreement, it would have a limited life and would be classified as a definite asset.

The Financial Accounting Standards Board's (FASB) definition of an intangible assets—an asset that lacks physical substance—does not include goodwill. Further, the FASB defines goodwill as “an asset representing the future economic benefits arising from other assets acquired by a nonprofit organization that is a business combination or an acquisition that is not

individually identified and separately recognized by the involved non-profit entities” (p. 18). Investopedia and the FASB definitions of intangible assets are similar, however, FASB includes the accounting methodologies, conditions, and requirements for establishing the intangible assets by nonprofit organizations that, for example, are seeking a merger or acquisition.

Nature of intangible assets. The nature of something is understood by the identification of its properties or the characteristics that form it, and within the context and influences of other contributing aspects such as history. Oxford Dictionary (n.d.) defines nature as the “basic or inherent features, character, or qualities of something.” We know that intangibles and intangible assets are an abstract quality or attribute. How then do we understand the nature of intangible assets – their qualities and attributes? Thus, intangible assets are detectable, recognizable, and perceivable.

Types of intangible assets. Because of the nature of intangible assets, they can be seen and understood through a variety of ways. This includes intellectual capital, knowledge, social capital, cultural heritage, and resiliency. The following is an exploration of these types of intangible assets.

Intellectual capital. Intangible assets are intellectual capital that are supported by knowledge theory. According to Lopes (2010), “Positively, [intellectual capital] relates from the sum of the organizational knowledge, deriving from the translation of its member’s practices into processes, products, and services” (p. 25). Additionally, Lopes stated, “The issue around intangible assets does not relate only to their identification and measurement. Several upstream issues were found linked to their recognition and impact in the organizational value creation process, including competitive advantage achievements” (p. 25).

Lopes' research on intangible assets is based on his research with 21 Portuguese Airline companies and their National Activity Regulator, which resulted in the identification of more than 50 intangible assets. His research identified intangible assets that suggests compatibility with nonprofit organizations. The research identified organizational value creation of intangible assets, such as knowledge management. He stated:

Concepts such as intellectual capital, knowledge capital, or intangible assets have come out in the management literature, supporting several approaches toward value drivers' measurement and reporting. (p. 24)

Intellectual capital is an intangible asset that has considerable research and mapping. Bontis (2000) provided an appraisal of intellectual capital models and stated that "By the year 2010, all of the world's codified knowledge will double every 11 hours" (p. 2). According to Bontis, the importance of knowledge is identified by contemporary references such as intellectual capital, knowledge capital, knowledge organizations, learning organizations, organizational learning, information age, knowledge era, information assets, intangible assets, intangible management, hidden value, and others. These terms support the importance of an organization's capability to establish value beyond tangible measures as noted by Lopes (2010).

Knowledge. The "knowledge of community is its commodity" (Pugh, 2003). Community knowledge is worth its weight in gold; it is the thoroughfare to get you where you need to go, or one can choose to be left behind. Another perspective on the importance of knowledge is provided by Dr. Rosabeth Kanter, Professor of business at Harvard Business School and Chair of the Harvard Advanced Leadership Initiative. Dr. Kanter (in Salamon, 2003) stated:

Businesses are coming to see nonprofits not simply as sources of good corporate images but also as the beta site for business innovation, a locus for developing new approaches to

long-standing business problems such as how to recruit inner-city customers to the banking system and how to locate and train entry-level personnel for central city hotels. In these and countless other ways, nonprofit organizations and businesses have begun reaching out to each other across historic divides of suspicion to forge interesting collaborations of value to both, leading the Aspen Institute's Nonprofit Sector Strategy Group to applaud the new strategic approach that businesses are bringing to societal problem-solving and the expansion of business partnerships with nonprofit groups to which it has given rise. (p. 58)

There are many examples that can be cited to illustrate the importance of community knowledge that often resulting in public and private partnerships formed by community-based nonprofit organizations to address the needs of low-income people. Affordable housing developments are one example of how needs are addressed by nonprofit community development corporations. According to Wilcox (2001), a former professor at Southern New Hampshire University:

The housing problem is not one problem, but a combination of interrelated problems. Land values, building codes, tax rates, materials costs, legal problems, adequate financing, zoning and site planning, housing management, and the effective administration of the necessary private and public agencies are all problems in themselves, and taken as a whole, they constitute the housing problem. Immediate or quick solutions are not possible. On the other hand, time alone will not solve these problems. A continued attack in many sectors, often on a trial and error basis, will work toward a better situation. (p. 3)

Cultural heritage. Culture, like intangible assets, can be hard to define, but provides incredible value to a community. The United Nations Educational Scientific Cultural Organization (2003) defined cultural heritage as:

the practices, representations, expressions, knowledge, skills, as well as the instruments, objects artifacts and cultural spaces associated therewith – that communities, groups, and in some cases individuals recognize as part of their cultural heritage. Cultural heritage includes:

- Oral traditions and expressions, including language as a vehicle of the intangible cultural heritage;
- Performing arts;
- Social practices, rituals and festive events;
- Knowledge and practices concerning nature and the universal;
- Traditional craftsmanship,

Cultural heritage is passed from generation to generation. The protection, ‘safeguarding’ cultural heritage includes the identification, documentation, researching, preservation, protection, promotion, enhancement, transmission by formal and informal education, and the activities to revitalize cultural heritage (p. 2). Culture and cultural heritage is an intangible asset.

Social capital. Social capital is an intangible asset and is associated with knowledge theory. According to Smith (2000-2009), the first work about social capital is attributed to Lyda Johnson Hanifan for her work on rural school community centers. According to Smith, “Hanifan was particularly concerned with the cultivation of good will, fellowship, sympathy and social intercourse among those that ‘make up a social unit’” (para.1).

Smith stated that other contributors to advancing the concept of social capital include Jane Jacobs in relation to urban life and neighborliness, and James S. Coleman on social context of education. Social capital became popular from the social research and policy by Putnam's research. The World Bank defined social capital as "the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions." Point of information the I does not subscribe or support in any way the identification of human beings as human capital. The use of this terminology is inappropriately suggesting a monetary association with human life. It is unlawful and morally degrading to associate a human being with the term human capital. If any source or reference in this study has established such a negative identification it is not an endorsement by the I.

"Relationships matter" is a social capital concept by Field (2003). Field's contention was that "social networks are a valuable asset" (p. 1). "Interaction enables people to build communities to commit their selves to each other and to knit the social fabric" (p. 1). The "sense of belonging and the concrete experience of social network (and the relationship of trust and tolerance that can be involved) can it is argued bring great benefits to people" (p. 1). Research by Halpern (2009) identified evidence suggesting that communities identified with "good stock of such social capital are more likely to benefit from lower crime figures, better health, higher educational achievement and better economic growth." The "downside is exclusion, "stultifying" close knit communities – especially to those who feel they are different in some important way" (p. 1).

Theorists most associated with conceptualization of social capital are Robert Bourdieu, James S. Coleman, and Robert Putnam. Bourdieu (2013, as cited by Tzanakis). Social capital accrues tangible and intangible assets through relationships and the relationships can lead to

civic engagement, addressing community needs such as housing. Homeownership opportunities were enabled by community development corporations (CDCs) and other nonprofit organizations. Nonprofit organizations have established relationships within the community, knew the people and institutions, work with area residents and many community based organizations provide homeownership counseling education programs. The relationships that exist by community based nonprofit organizations can attract investment in the community to make homeownership possible.

“The glue that holds them together,” was identified in the World Bank’s definition of social capital and was further informed by Emerson (2000) who stated that there are relationships that constitute social capital. These relationships are both horizontal and vertical. A vertical understanding of social capital is grounded in the perspective that while “horizontal ties are needed to give communities a sense of identity and common purpose without bridging” ties that transcend various social divides (religion, ethnicity, socio-economic status), horizontal ties can become a basis for the pursuit of narrow interest and can actively preclude information and material resources that would otherwise be of great assistance to the community (e.g., access to credit) (p. 21).

Further insights about social capital were provided by Emerson (2004) who identified seven forms of social capital: “families, community, firms, civil society, public sector, ethnicity and gender” (p. 22). Social capital is within a context that is dynamic involving both financial and social capital. Emerson’s blended value concept identified “Interactive Social Capital” and the financial interaction as the “transactive aspect” (p. 22). A blended value is established when the interaction occurs across financial markets but is associated with a benevolent or social

purpose. Both the “Interactive Social Capital” and the “transactive aspect” occur over a range of interrelated structures involving nonprofits and for profits supported by the philanthropic and commercial capital markets.

Resiliency. The American Psychological Associations (APA) Task Force on Resilience and Strength in Black Children and Adolescents (2008) was established to identify the factors of healthy development in African American children. The APA Task Force contended that scholarship has ignored the relevance of racial, ethnic, cultural factors and nuances, and competencies as they relate to resilience and strength of African American children and youth. Resilience and strength are intangible assets that support the healthy, cultural, and positive development of African American children and adolescents. Meaningful consideration of the strength and protective components of resilience of African American youth should take into consideration their cultural integrity as well as their unique experience as an involuntary ethnic minority in the United States.

Value of Intangible Assets

The preliminary report according to Mishra and Jhunjhunwala (2009) on the Valuation of Intangibles by the ICAI Accounting Research Foundation states that the knowledge economy contributes to the importance of intangible assets. The report further identifies:

With the growth in the knowledge-based economy, it is becoming increasingly the case that the intangible assets of the firm and its intellectual capital are the keys to achieving sustainable competitive advantage, rather than technology or tangible assets alone. Value creation takes place through innovation, research and development, brand building, relationships and networks, and intangible assets. There is growing acceptance within

financial accounting circles that modern companies may well have substantial value resting in intangible assets. (p. 2)

The following perspectives are about the value of intangible assets. The sources below do not specify intangible assets, but discuss the value of intellectual capital and knowledge management characteristics that define intangible assets. Additionally, the value of intangible assets has multiple social and economic aspects, which are explored below.

Emarita and Chase. Intangible assets support human development that are characteristics such as strength, knowledge, perseverance, and determination that are demonstrated by participants supported by programs of community-based nonprofit organizations. According to Emarita and Chase (2012):

Family and community knowledge systems are the informal lessons, patterns, and mechanisms through which children learn in their home and community environments, including values such as honesty, rightness, and order. This natural knowledge system is a basic component of effective families and communities and essential to children because it:

- Constitutes a significant part of the continuity and cohesion that holds family and community together.
- Contributes fundamentally to the resilience of children and families.

In addition, when family and community knowledge learning systems are recognized, their strengths can complement public investments, thereby decreasing costs and increasing effectiveness.” (p. 2)

Alle. According to Alle (2008), intangible assets include relationships, employee know-how and competency, the effectiveness of the organization’s work groups and structure, the

efficiency of the organizations production and services processes, and the level of trust between the people or organizations forming relationships. Trust is an expression of a high-degree of social capital both within the organization and externally expressed as reputation and brand. In Alle's Value Conversion Strategy Model (see Figure 2.1) established the relationship between intangible and tangible assets.

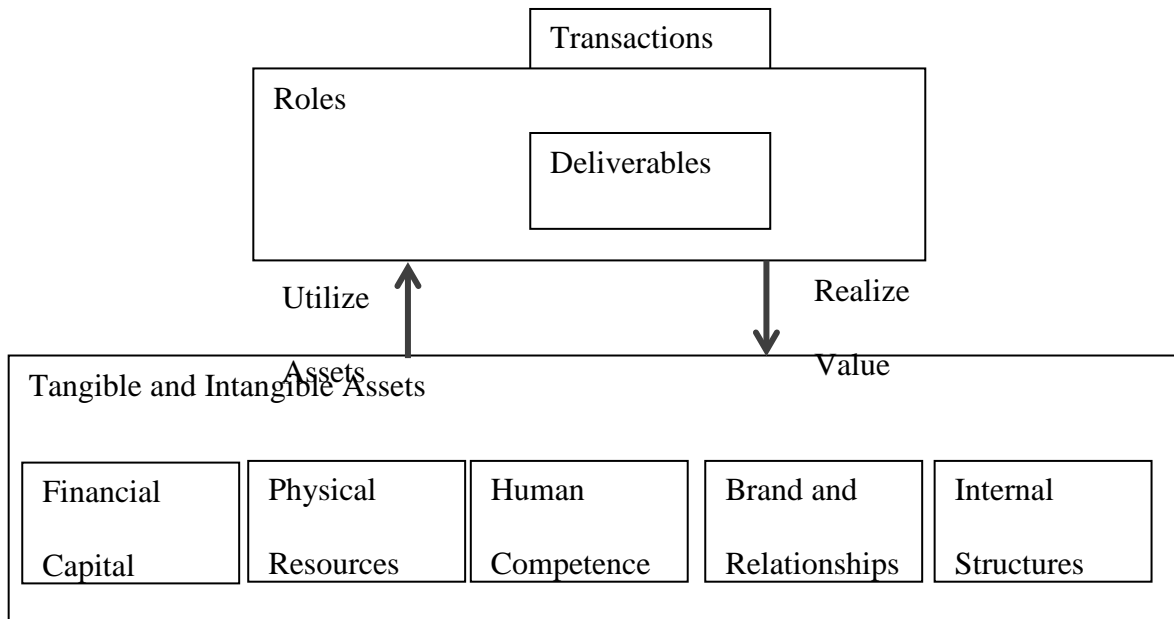


Figure 2.1. Value Conversion Strategy Model (Alle, 2008, p. 6.)

Alle's Value Conversion Strategy Model is important because it illustrates the interrelationships of intangible and tangible assets resulting in generating deliverables and creating organizational value. Without intangible assets, such as human competencies, brand, relationships, and organizational infrastructure, the tangible results would not exist. She stated:

Knowledge and intangibles behave differently than do physical resources, and it is a mistake to simply treat them as tangibles. This means, in describing the value model of a business, one must consider two orders of economic exchange: *tangible* and *intangible*" (p. 7).

As she further explained, “One of the most challenging aspects of working with intangibles is converting such things as ‘human knowledge, internal structure, ways of working, reputation, and business relations’ into ‘negotiable forms of value’” (p. 2). Value network analysis offers a way to understand a company’s capability to convert tangible and intangibles assets into value.

Emerson. Jed Emerson, a philanthropy I at Harvard Business School, provided an additional perspective on the value of intangible assets. According to Emerson (2000):

In addition to its economic and numeric value, the Social Sector also plays a major role in the maintenance of a “civil society.” Without churches, schools and volunteer organizations, the richness and diversity of modern life would be greatly reduced... it is this very aspect of our community life, its “social capital,” that we must reconsider and integrate more effectively into our understanding of value and worth in the context of the modern commercial society. (p. 9)

Emerson’s perspective shows how aspects of the social sector—such as churches and schools—contribute “social capital”, which can also be understand as intellectual properties and knowledge.

Bontis. Like Emerson, Bontis (2000) described new economic value derived from knowledge management and intellectual capital. Bontis’ identification of knowledge management and intellectual capital is associated with knowledge theory that will be discussed later in the literature review.

Lopes. Lopes (2010) provided additional understanding of intangibles. He writes:

The growth of intangibles as sources of value has been an asymmetric treatment because it has been disclosed, till now, through the external but limited financial reporting. They have been treated within the organization in combination with the high investment in

physical assets, but investors and market regulators in general claim its disclosure through multiple approaches, including their dissemination through electronic platforms.

(p. 2)

Gibbs. Steve Gibbs, a former nonprofit food bank CEO, provided an organizational perspective of intangible assets through his view of structural capital. The food bank began in a storefront, and later became the fifth largest in the TriState Region (Ohio, Northern Kentucky, and Indiana), and at one point it was the twelfth largest foodbank in the country. Gibbs (2014) identified elements of varying levels of structural capital. He stated:

Structural Capital is frequently thought of as consisting of three elements. These include Organizational Capital, comprised of an organization's philosophy and corporate culture. Process Capital is made up of accepted techniques and procedures an organization routinely uses to process the management of the delivery of goods and services, and Innovation Capital, which includes an organization's intellectual property, patents, copyrights, brands, and the like. An organization's intangible assets seem mostly to be regarded as part of its store of "organizational capital." (p. 1)

There are varying types of intangible assets, including individual intangible assets and organizational intangible assets. The identification of intangibles supports understanding what an intangible is and the value of intangibles within a corporate and organizational context just as intangible assets result from growth and development by individuals and families.

Measuring Intangibles

The following are methods or tools used to identify, measure, and report on results. However, none of the tools specify the measurement or recording of intangibles and intangible assets.

Social return on investment. The Social Return on Investment (SROI) analysis by Emerson, Wachowicz, and Chun (2008) established that “social value is created when resources, inputs, processes, or policies are combined to generate improvements in the lives of individuals or society as a whole” (p. 137). The Roberts Enterprise Development Fund created the WebTrack Management Information System that identifies social, economic, and socio-economic metrics resulting in transformative value. The investment of resources supports the interventions, resulting in benefits for participants enrolled in programs and services by community-based nonprofit organizations (See Figure 2.2).

The Roberts Enterprise Development Fund (REDF) diagram illustrates the dynamic continuum linking the economic and socio-economic inputs resulting in the documentation of participant outcomes/benefits and the calculation of the return on investment derived from the public and private investment. According to Emerson, Wachowicz and Chun (2008):

Economic value is created by taking a resource or set of inputs, providing additional inputs or processes that increase the value of those inputs, and thereby generate a product or service that has greater market value at the next level of the value chain. Examples include for profit activities. (p. 137)

Further, Emerson, Wachowicz, and Chun (2001) identify in the publication *Social Return on Investment (SROI): Exploring Aspects of Value Creation* that “Social value creation may include such products as cultural arts performances, the pleasure of enjoying a hike in the woods, or the benefit of living in a more just society” (p. 2). To expand on this idea, they quoted J. Gregory Dees’ perspective about social value:

Social value is about inclusion and access. It is about respect and the openness of institutions. It is about history, knowledge, a sense of heritage, and cultural identity. Its

value is not reducible to economic or socio-economic terms. Social value can be found in anti-racism efforts, some aspects of community organizing, animal rights advocacy, and folk art. It has intrinsic value but can be difficult to agree upon or quantify. (p. 137)

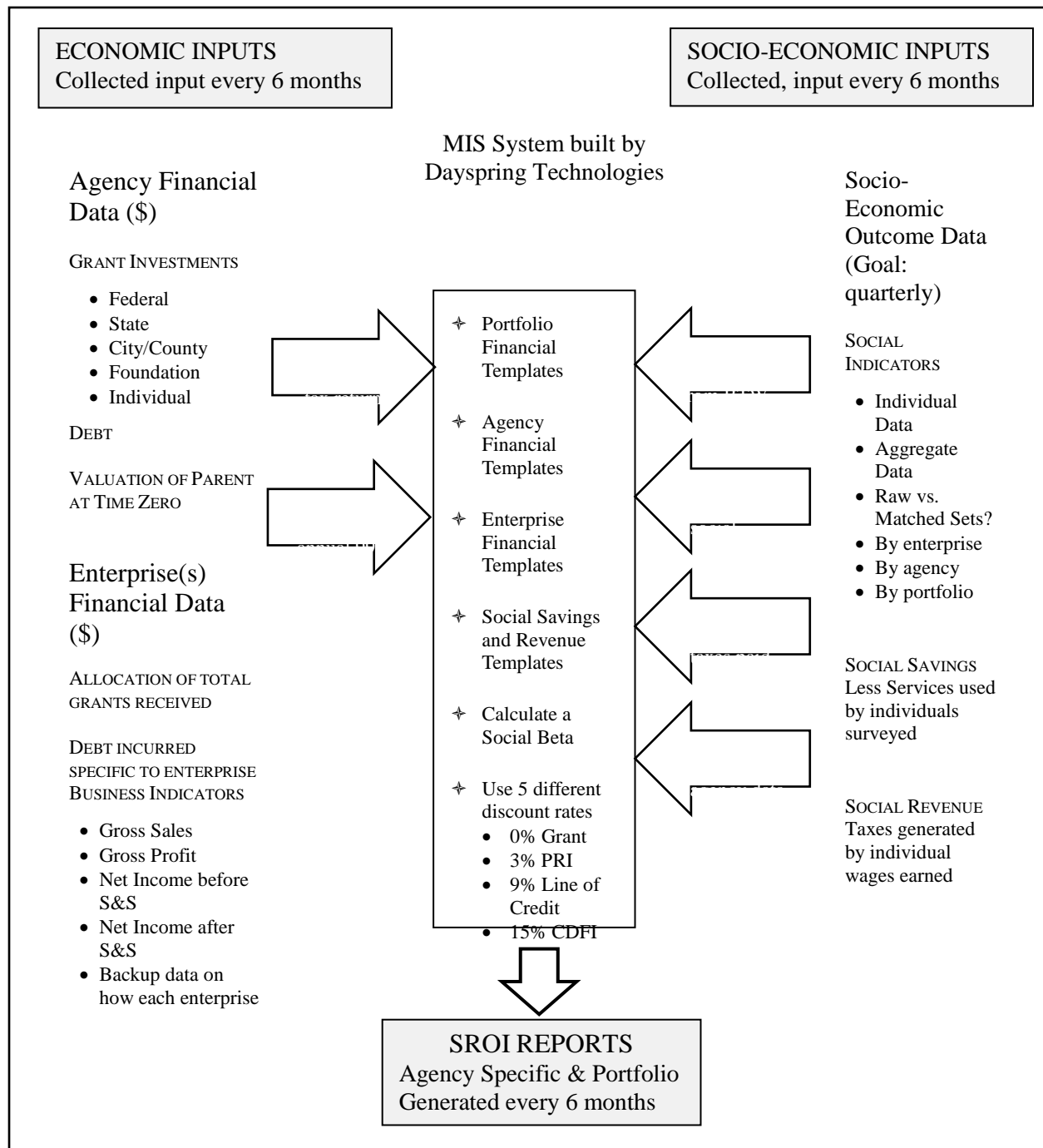


Figure 2.2. WebTrack Management Information System. (Emerson, Wachowicz, & Chun, 2001, p. 144).

Emerson, Wachowicz, and Chun (2001) continued:

Socio-economic value builds on the foundation of economic value creation by attempting to quantify and incorporate certain elements of social value. An entity creates socio-economic value by making use of resources, inputs, or processes; increasing the value of these inputs; and by then generating cost savings for the public system or environment of which the entity is a part. These cost savings are potentially realized in decreased public dollar expenditures and partially in increased revenues to the public sector, in the form of additional taxes. Examples of activities that generate socio-economic value are pay for performance initiatives; supportive employment programs for people who are disabled, or homeless; and job training programs or other initiatives that provide employment for those presently receiving public support and divert individuals away from public systems and toward private markets. (p. 138)

An example of creating socio-economic value can be seen in the Dakota County Re-Entry Program in Dakota County, Minnesota. The program established an economic and social return on investment in the reentry program that was documented in a cost-benefit analysis of the program. The analysis of the program identified costs incurred, costs avoided, community benefits, and measurable value.

This program model served as a case study that illustrates tangible benefits associated with inmate's re-entry into the community. These tangible benefits in turn suggested there are related intangible benefits, which include reduced victimization (pain and suffering, property damage), fewer damaged community/family relationships, fewer families accessing public services, increased efficiency of other government services, reduced homelessness, and other benefits (Harder & Walha, 2012).

Blended value. Emerson (2000) supported a bottom line perspective that combines the reporting of economic, environmental, and social aspects of organizations in determining a blended value. Emerson's theory was influenced by his experience as a tutor for youth in Spanish Harlem, working with children who have disabilities, and as the executive director for a nonprofit organization whose target population was homeless youth and teen prostitutes. He later became the founder of one of the first national venture philanthropic organizations. According to Emerson:

Language separates us into economic camps traditionally associated with for-profit corporations and social serving organizations traditionally are identified as the third sector – nonprofit organizations. Traditionally value has been understood as either economic or social value. The historic understanding of value is fundamentally wrong and has led to a host of social and environmental problems since in truth value is indivisible. (p. 27)

Blended value includes information that may support the identification of intangible assets. Brozek's diagram below citing Emerson (see Figure 2.3) identifies nonprofits and for-profit capital structures with nonprofits associated with philanthropy, and earned income, resulting in a social benefit. For-profit entities are identified with a structure that includes social responsibility and commercial capital. There are many transactive relationships that occur for both nonprofits and for-profits and their use and access to capital. Importantly, Brozek's diagram provides a strong association of capital and capital markets and financial returns. A blended value however provides a linking of social value and economic value.

Spectrum of Social and Financial Returns

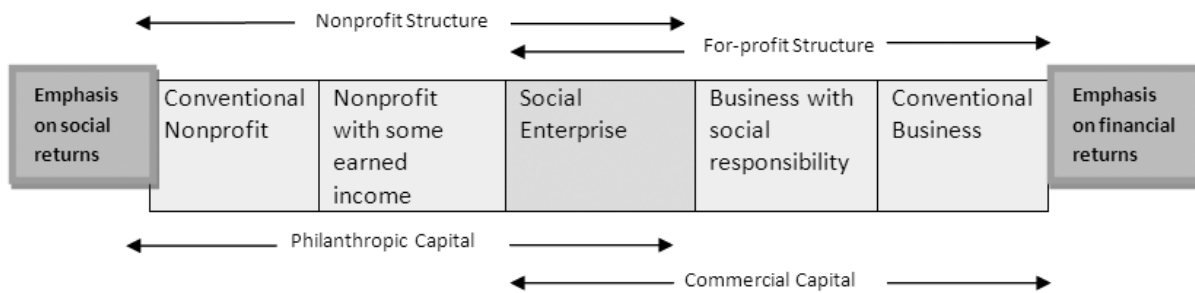


Figure 2.3 Blended-value diagram. (Brozek, 2008. p. 4).

There are three types of data that might be used to measure a nonprofit's success, but only one of them is frequently called a true measure. Quantitative, empirical evidence is often identified as the true measure of success and discussed further in the summary of blended value below.

- Inputs describe how much in the way of resources (both financial and non-financial, such as volunteer time, materials, equipment, etc.) was used to conduct an activity.
- Outputs measure the activities conducted by the organization, such as the number of classes held, the number of students enrolled or graduated, the number of concerts performed and number of concertgoers attending, the number of members enrolled, and the like. The problem with this type of data is that while it presents the quantity of program services provided, it does not indicate whether any real benefits resulted. Did the students learn anything? What was the quality of the concerts? How well were the members served?
- Outcomes measure how much better off the organization's clients or society is as a whole because of the organization's activities. For example, by how much has the teenage pregnancy rate in a community been reduced through the efforts of a charity

whose mission includes educating youth about the undesirable results of getting pregnant so young?

- Inputs are represented on the income and expense financial statements of nonprofit organizations. All three data sources provide a financial picture about nonprofit organizations and relate to its capital structure. Outcomes provide the information about the results provided by the investment of resources. Results can be represented by quantitative and qualitative data.
- Intangibles are not identified on financial statements, however, supplementary information to the income and expense statement would support a holistic picture including intangibles supporting the social value and its relationship to economic value and subsequent results.

Summary

Community-based nonprofit organizations contribute to the economic and social fabric of society. The impact and benefit of the services provided by nonprofit organizations includes both intangible and tangible assets. The identification of intangible assets supports the important value contributed by nonprofit organizations to their communities, provides added value for nonprofits, and may increase a nonprofit's potential to leverage or increase the investment of resources.

Intangible assets are valuable and identifiable. While financial statements report on transactions, profitability, and other quantitative measures, the statements do not report on the intangible assets present in the organization. Intangible assets that are recognized and measured are those established by many for-profit corporations. These include intellectual capital, knowledge management, trademarks, and patents. According to Bontis (2000), "these terms and others are part of a new lexicon describing new forms of economic value" (p. 1).

Chapter Three: Research Methodology

The purpose of this dissertation research was to identify intangible assets within nonprofit organizations and examine how funders identified and evaluated intangible assets as part of the process for reviewing funding applications. I used an interpretive multiple case study methodology in order to understand the perspective of the study participants and their knowledge of intangible assets. Each participant was considered as an individual case study. An interpretive research methodology was selected as the most appropriate for collecting and analyzing this type of qualitative data.

Interpretive Is do not aim to create generalizable knowledge; instead the intent is to understand the values, beliefs, and meaning of phenomena. Van Mannen (1975, as cited by Wardlow) suggested that the purpose of interpretive science is to systematically search to understand ways people subjectively experience their world. As I have previously stated, every community is different and has its own unique characteristics. However, intangible assets—both individual and organizational—transcend geographical boundaries. This research attempted to clarify, authenticate, and uncover meaning embedded in the forces of cultural process through the examination of intangible assets.

Selection of Participants

Criterion for selection. For this research, participants included Chief Executive Officers (CEOs) and Executive Directors at funding institutions who are involved in the decision-making process to fund community-based nonprofit organizations in the Minneapolis-St. Paul, Minn. area. My intent was to speak to a group of area funders for community-based nonprofit

organizations to gain their insights their understanding of intangible assets, if and how they determine the presence of intangible assets, and if present, how they measure intangible assets.

Participant selection. To identify an initial pool of participants, I reached out to people whom I know within my personal and professional network at local nonprofit organizations, foundations, and other funding institutions to ask them to share the names of people with knowledge about the research topic. I collected all the names of people to invite them to participate in my study.

I conducted initial outreach to the foundation leaders (CEOs and executive directors) on this list that I know personally by email or phone call. In addition to inviting them to participate in my study, I also asked them if they knew other people who might have knowledge about this topic and if they would be interested in participating. There were seven people who responded to my request and six were scheduled for interviews. One funder declined to participate to avoid a conflict of interest. Due to time considerations, additional search of potential participants for interviews was not conducted.

Data Collection

In this study, I collected data through one-on-one interviews with participants using open ended questions. Interviews were held with each of the six study participants. I knew each of the participants from my role as the Executive Director at Phyllis Wheatley Community Center, located in Minneapolis, Minnesota. Because of my years of working with the six funders who were interviewed, some background information was not requested during the interview.

After establishing the list of participants, each person was assigned a pseudonym code, a fictitious name to retain the anonymity of each interview participant. Interviews were scheduled for one hour each. A confirmation of the scheduled interview was provided by email to each of

the interview participants. Interviews were held at the professional offices of each interview participant. Interviews were semi-structured, with a set of questions to guide the interviews, but allowing for follow up questions to be asked during the interview.

I took notes during each interview, as well as audio recorded the interview, which was done with consent from the interview participants. Each interview took approximately one hour and was conducted at each participant's office. If needed, follow up phone calls were made to clarify ambiguity or ask additional questions from the initial interview. Appendix A includes the research question and some of the follow up questions used during the interviews. Follow up questions varied depending on the flow of the conversation during the interview.

The types of records created as a result of the interviews included handwritten notes, audio recording, transcript of the interview, and analysis of the interviews. I transcribed each of the interviews myself. Data was retained on a secure, password protected computer, and in a combination locked file. After defending my dissertation, the audio records of the interviews will be deleted.

Data Analysis

Data analysis included a review of written interview notes, interview transcripts, and the identification of key ideas. I began my analysis by reviewing each of the written interview transcripts to ensure that I had accurate data. A review of the transcripts confirmed key ideas, concepts, and direct statements made by interview participants documented in my notes.

Following a review of the transcripts, I began coding the data from the interviews. Coding of the data supported the process for organizing key ideas and related themes that emerged. Themes were established based on the codes identified within interview responses and

by aggregating the data across all the interviews. Direct quotes and statements from the interviews were used to support each theme.

Stake (2003, as cited by Wardlow) provided six steps to support multiple case analysis with an emphasis on common relationships across cases. These steps, which I used as a guide for understanding and analyzing my data, are:

1. Bounding the case and conceptualizing the object of the case.
2. Selecting phenomena, themes or issues.
3. Seeking patterns of data to develop the issues.
4. Triangulating key observation and bases for interpretation.
5. Seeking alternative interpretations to pursue.
6. Developing assertions or generalizations. (p. 155)

Next, I conducted a cross-case analysis using the method described by Creswell (2007), which was supported by the following steps:

1. Established each interview as an individual case.
2. Organized data by participant responses. Each participant's responses were entered into Microsoft Excel and Word documents and categorized by the research questions.
3. Combined data to identify common key words, patterns, and themes.
4. Coded the responses based on the combined data.
5. Identified the intangible assets identified in participant responses.
6. Determined which individual intangible assets were organizational intangible assets.
7. Compared the participant responses to the literature review.

Coding. Open coding was done by organizing the data with stated descriptions by individual participants. I read through the data several times and then started to create tentative

labels for chunks of data to summarize what I saw happening based on the meaning that emerged from the data and not based on existing theory. The result was the data organized into three columns that identified:

- Intangible assets as defined by each participant
- Properties or characteristics of the intangible assets as described by participants
- Examples of interview participants' words to support the identified asset.

Next, the data were examined to identify the intangible assets described by the participants. In the cases, I put what appeared to me to be assets in green and measures in yellow. The data was then analyzed using the axial code method to identify relationships among the codes. To establish themes from the codes, I determined if there were common codes and key words present among the larger set of codes and identified supporting descriptions within individual interviews. Each theme was then reviewed to determine its relevance in answering the research question.

Confidentiality and Anonymity

I informed each participant that their responses would be confidential in the written request for an interview and on the day of the interview. To ensure anonymity, participants were assigned pseudonyms and participant codes. No identifiable details were included about participant's organizations.

Bias

I strongly believe in the importance of intangible assets within community-based nonprofit organizations that provide opportunities to improve the lives of the people the organizations support. Steps I took to mitigate bias included checking with participants

interviewed to confirm accuracy of their responses and my interpretation of their responses. This research was approached with integrity and honesty.

Validity

Triangulation of data supported the validity of this research, which was considering any relevant and related findings, and conclusions that were established by the research. Steps taken included checking with participants interviewed to confirm accuracy of their responses and my interpretation of the data. Reviews with my dissertation chair were established and with a colleague in the doctoral program to ensure accuracy of interpretation of data.

Limitations

This research is based on a defined geographical area and may have limited relevancy in other locations. There was a limitation of time for follow up with participants after the field work was completed because of organizational and personal reasons that included relocating to a new community.

Delimitations

Minnesota foundations and financial entities that fund community-based nonprofit organizations are the boundary of this study.

Chapter 4: Findings

The focus of this chapter is to present the findings from the research interviews conducted with representatives of funding institutions as part of this study. A description of each participant, their funding institutions, and their background information; interview highlights; and a summary of my thoughts are included in this chapter. Each interview is presented as an individual case study. The final section of this chapter is a cross-case analysis, which identifies patterns and themes that emerged from the data.

Participant Profile

Those invited to participate in this study were either the Chief Executive Officer (CEO) or the Executive Director of a philanthropic organization that funds community-based nonprofit organizations. One interview participant was male; the remaining five were female. Participants' education level and years in philanthropy are presented in Table 4.1. Any reference in this chapter to a funder or foundation refers to an organization that funds community-based nonprofit organizations.

Table 4.1

Participant Education and Experience

INTERVIEW PARTICIPANTS	EDUCATION LEVEL	YEARS IN PHILANTHROPY
Mary (C1)	Master's Degree	16 years
John (C2)	Master's Degree	18 years
Sue (C3)	Master's Degree	26 years
Rachmaninoff (C4)	Master's Degree	20 years
Isabella (C5)	Master's Degree	15 years
Diana (C6)	Master's Degree	30 years

Case Analysis

Each case is structured to provide background information about the participant's organization, the participants' perceptions about intangible assets, a description of how intangible assets are measured by the funder if applicable, and a summary of the case.

Case 1: Mary. Mary was a program officer at an area foundation and later became the CEO. Her related experience included professional employment and work with other metro area funding organization, as well as serving on the board of directors for area nonprofits. The funder, for which she works, serves the seven county Minneapolis metropolitan area, including Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The foundation's vision is to be a place where everyone has the opportunity to lead productive lives; a community that embraces and celebrates diversity and eliminates discrimination; and where people with the least skills have opportunities for education, skill development, and employment opportunities that pay a living wage.

Mary stated that the priorities of the foundation in 2015 were to help people in poverty attain economic stability, combat discrimination, and address inequities. Generally, priorities are established by the board of directors. The foundation recognized that the federal poverty line is woefully inadequate to reflect costs of basic necessities like transportation, housing, utilities, and child care in today's economy. As a result, education, employment, housing, transportation, and anti-discrimination are the core funding categories and the areas of interest of the foundation. An open application process is no longer used by this funder. Rather, the foundation seeks out opportunities about promising efforts being done in the area and that are related to its areas of interest. The foundation is updating its funding priorities with plans to focus on Human-Centered Design methods. Further information would need to be obtained from the funder to determine

what its internal process is for establishing the areas of interest for grant or other types of applications for funding.

Beliefs about intangible assets. Mary was very clear that intangible assets were important for her organization as they relate to funding decisions. In her words, “intangibles are a critical part of the whole grant making process.” She listed a number of intangible assets that her organization considers, including:

- What the leadership of the nonprofit is like, including both the board of directors and the CEO.
- The health of the organization.
- How the organization is perceived by the people it intends to help; i.e. the respect and reputation of the leader.

Measuring intangible assets. Mary stated the way of collecting information about intangible assets is through the stories that applicants tell about their organization. Stories help build relationships as well as give hints about the nature of the organization. However, she stated that it is hard to measure intangible assets. She explained:

Very often we fund leaders. We fund individuals in organizations who are doing the good work and who are showing promise and have the buy-in and support of the community. Grant making is an art, not a science. So, if grant making were simply about assessing financial health or programmatic results and the outcomes, this would be easy. You could just punch that into a computer. Then you would decide who gets the money.

Mary also said that there were several things for which she looks to assess intangible assets in an organization. These include the policies of the organization, what efforts are made to implement these policies, and what progress has been made in achieving organizational goals.

That is, she stated, “to what degree are the organization’s deliverables being delivered?”

When assessing leadership, Mary noted that “you can get a good understanding about leadership and how it is perceived, and cannot measure it or qualify it in any measurable terms.” Because the reputation of the leadership is so important, Mary’s organization stopped having an open application process. Instead, the foundation went to a closed process in which it only requested proposals from organizations the foundation knew and trusted. This seemed to be the best way to honor its belief that the quality of leadership is a very important intangible asset, which is also difficult to measure. Mary stated:

Reputation, perception of the leadership in the community or by the community it intends to serve [is important]. Leadership includes the executive director or president or whatever the title is, and includes the board of directors. Does the board have minutes or other types of recordings and records? Do they have a grasp of the organization? Are they leading the organization? Does the organization have a plan in place, or a strategic plan or directional document that helps them figure out where they are headed? These are important intangibles that we consider. Does the leadership have good articulation of purpose, strategy, and programmatic depth?

One could easily say there is a gut feeling about something that is not easily measured. I will be honest. I have been in meetings with leaders of organizations, and they have said or responded to something, and my gut feeling is that something is not adding up. So, in the art of grant making you pay attention to gut feelings and intuitions. [I] will do more research about whatever that gut feeling is telling us. This gets to the quality of the leader and perceptions [that are] not easily measured.

Mary also stated:

You can't measure intangible assets, and it is entirely subjective. If you are looking at things like organizational leadership and reputation, you can get a good understanding about it and talk to people about how [leadership and reputation] is perceived even though you can't measure it. You can't quantify [intangible assets], but you can talk to other people to get a good read [about intangible assets] and to support understanding.

Summary. Mary believes intangible assets are very important for foundations as they decide whom to fund. According to Mary, “intangible assets cannot be measured.” Her approach is to look at the intangible assets of leadership—the CEO and board of directors—and use her perception and intuition about leadership as a major part of her decision-making about funding an organization.

Case 2: John. John works for a funding organization which is the oldest philanthropic nonprofit in Minnesota. The funder is a private foundation supporting a diverse number of community nonprofit organizations throughout the state. Today and throughout the funder's history, there has been a focus on supporting the work by organizations who help the poor. The funders work is supported by volunteers who participate on committees and the board of directors.

Grants from the funder are limited to 501(c)(3) organizations who support those who are economically challenged. Grant applications for general operations, project support, capital campaigns, job training, and education opportunities are available for consideration. Approved grants range from \$8,000 - \$20,000. Grant applications are reviewed by the designated committee(s) of the funder. The funder's committee process includes an oral presentation by the applicant(s) who reach this level of the funder's decision-making process. Site visits are scheduled by the committee to gather further information and support the committee's decision-

making deliberation. The committee's recommendation is forwarded to the funder's board of directors to make the final decision. A letter of approval is sent to organizations that are approved for funding.

Beliefs about intangible assets. John has been working in philanthropy for 20 years and indicated he did not have a concept about intangible assets prior to the request to participate in this study. John's experiences include working in Charleston, North Carolina, and in a rural area located in the Republic of the Honduras that needed a new water system.

In Honduras, John worked with two groups together to support building the water infrastructure for the rural community in the Republic of the Honduras. The groups mobilized people, identified strategies to support a defined goal supported by knowledgeable employees and volunteers, and built the new water system. Knowledge and the capability to mobilize and organize people involves both organizational and individual intangible assets. Although John did not previously have a concept about intangible assets, his experiences in Honduras suggested his awareness and understanding of them. He identified intangible assets as reputation and leadership. John further stated that intangible assets are not measurable. Grant-making, according to John, "is an art, not a science."

John explained that a leap of faith is a point in grant-making when science stops and the art of grant-making begins. Funders decide within this hope that a project goes forward, benefits the community, and is successful. According to John, grant makers enter into a due diligence process to arrive at a decision about the request for funding that is based on the application information, resources that are available, priorities the funder may have, and knowledge by the funder and committee of the organization being considered.

It is not exactly known if a funded project will be implemented. A funder considers the

reasonableness or likelihood that the project will come into fruition that is based on many factors. Some of the factors are internal to the organization, such as staffing capacity, timing, and alignment of resources. Others external factors may impact a project, such as the political climate, community support for the project, and consideration by multiple funders who may be needed to make a project work.

John stated that members of his funder's organization come from all over the community with an inherent value for mission-based work. According to John:

[Intangible assets] start with the specific deliverables. What are the policies of the organization? What progress has been made to implement or establish specific policies? Success does not mean that a policy passes or is fulfilled in getting to the end result. What is [being] advocated [for] that will help more folks? Look at the deliverables, financial position. Are they financially stable? Most nonprofits don't have significant savings. [We're] looking for financial success. If the organization is losing funding, what does this mean regarding the deliverables? Explore things like the intangibles such as leadership, staff turnover, press, and meetings with other funders...

Yes, intangible assets are important, such as reputation and the perception about leadership by the community it serves or intends to serve. Leadership includes the board of directors. Does the board have minutes, a grasp of the organization? Does the organization have a plan or directional document? Does the leader have a good articulation about the purpose of the organization?

John's response provides a perspective about intangible assets and learning about the applicant organization(s) that is not narrow-minded. Rather, organizations have stages of development and various financial realities. Funders who recognize that there are inherent organizational stages

and factors that can influence financial realities are more apt to make fair decisions.

Measuring intangible assets. John said he was not certain if intangible assets are an integral part of decision-making and did not know if the funder specifically states how achievements are measured. John does not have a measurement method for intangible assets and organizations are not asked to identify intangible assets as part of the funding process at his organization. John stated that you cannot measure intangible assets; it is entirely subjective. However, he said, you can establish an understanding about leadership and how it is perceived.

Summary. According to John, intangible assets rarely come up in grant making discussions. John's description of his experience working in the rural Republic of the Honduras and mobilization of people and resources is akin to organization development in that both support a guided process resulting in change. John viewed intangible assets as the policies, leadership, and reputation of the organization.

Case 3: Sue. Sue works for a funder which serves community-based nonprofit organizations throughout the state of Minnesota to provide specialized financial products that support operations, programs, cash flow, and other areas including capital improvements. This funder provides funding to various sized nonprofit organizations throughout the state. The funder also provides various management workshops, webinars, and customized programs for the nonprofit sector. The funder has established an executive director cohort with plans for future executive cohort opportunities. The goal of the cohort training programs is to enhance the knowledge and skill development of nonprofit management, increase understanding about multiple aspects of budgeting and financial management, and offer training opportunities for the board of directors of community-based nonprofit organizations.

Beliefs about intangible assets. Sue talked in depth about how to define intangible assets.

This included what is an asset and how they are determined, what is an outcome, and what she believes are intangible assets for organizations. She explained:

In a way, I think what is throwing me off a little is the term “intangible assets” because things like self-esteem, confidence, and knowledge, in a way are those intangible assets or intangible outcomes? To me those are intangible outcomes. I realize that confidence and self-esteem are important to individuals. However, when I consider intangible assets at the nonprofit organizational level, I think about knowledge, intellectual property, and brand. Whereas when I think about funders and when we are evaluating organizations, or considering organizations, we are very interested in whether they evaluate their work. But we don’t actually weigh or we do not factor intangible outcomes into our funding decision.

In our conversation, Sue made the distinction between intangible outcomes and intangible assets. *Intangible outcomes* are inherent capabilities within the individual, such as self-esteem and confidence that may evolve progressively or regressively. The fluidity of human developmental constructs is ongoing and in adults is a choice to grow, learn, or stay the same. On the other hand, organizations can support the building of confidence by participants enrolled in various programs to contribute to their intangible assets. Sue identified organizational *intangible assets* as knowledge, intellectual capital, and brand.

According to Sue, organizational knowledge contributes to the documentation of activities, descriptions, results, and impact of the work by community-based nonprofit organizations. For example, Sue stated, generally, a nonprofit organization’s logic models are commonly used by United Way organizations to describe the theory of change. Logic models identify and describe the resources for an initiative, activities, outputs, and measurable outcomes.

Measuring intangible assets. As a funder, Sue's organization has very defined criteria and eligibility parameters, but does not specifically measure intangible assets. Her organization would not expect the same information from organization to organization. Most nonprofit organizations who receive philanthropic contributions are expected to know the results of their work. Quantification of the results typically involves numerical identification.

When asked what the criteria are for determining the success of a community-based nonprofit organization, Sue responded that they ask the nonprofit organization how it measures success. Sue stated the only time a nonprofit cannot successfully answer this question is if it doesn't measure its work. She added if the funder is talking to a nonprofit, and the organization cannot say how it is successful or if it doesn't have a logic model, the funder would use whatever assessment tool the organization has available, such as the results from evaluation questionnaires.

Summary. Sue identified organizational intangible assets as knowledge, intellectual capital, and brand, which all are forms of value that contribute to an organizational result or benefit. Sue recognized that there are intangible outcomes and intangible assets that are both organizational and individual assets.

Case 4: Rachmaninoff. Rachmaninoff is part of a funding organization that supports active involvement using the approach of Participatory Action Research (PAR), which engages participants in research, data gathering, and action. PAR emphasizes change with a focus on collective inquiry and reflection to support understanding and action. The foundation's categories for funding include investing in its target population—which is primarily from underserved communities—to provide learning, social development, economic prosperity, health, and economic development opportunities. The average grant by the funder to a nonprofit

organization is about \$25,000. The funder includes a racial equity lens to advance racial equity that addresses policies and practices that ensure opportunities for resources by all. There are several options for grant applications by community nonprofit organizations that must relate to the funders core areas of interest.

Beliefs about intangible assets. Hope, according to Rachmaninoff, is a type of intangible asset which people don't often consider. He stated that intangible assets are not often measured. He described his beliefs about intangible assets as follows:

Our mission has always been about learning beyond the classroom. We invest in the future of Minnesota. We invest in three ways, and one way we invest is to support nonprofit organizations in really building their capacity, particularly management capacity, governance, and fund development because we really want these organizations to be as strong as possible and to really execute high-quality programs. The second way we invest is to support large systems because we want systems to align and be very robust. Third is direct investment in the target population.

Rachmaninoff further stated:

We look for potential, hopefulness, self-awareness, [and] integrated cultural identity. How does that person feel about themselves? We look for competencies the target population is gaining. [I am] not sure that is an intangible asset or not because I think what can be intangibles is included in the competency skills and are some things that are not often measured.

Measuring intangible assets. Rachmaninoff stated there is an interest by the funder in measuring hope, which it does not currently measure. Hope is an intangible asset. The funder is interested in knowing the level of hope resulting from interventions by grantees and stated an

interest in determining if the target population or members of the target population is hopeful.

Rachmaninoff also expressed an interest in measuring hope:

We really focus on investments in learning, health, wellness, and economic opportunity. So, intangible assets are really cross-cutting throughout our investment portfolio. So, our measurements are looking at financial growth of the organization, connections of the organization. Is the organization growing in a significant way because of our investment, and how is the target population doing? I think we are in the middle of redefining/reframing our theory of change so that it is aligned with a deeper focus on race and equity.

He added:

I suspect that with the final reframing there could be some robust key performance indicators and/or intangible assets. It is a work in progress. We really want to have a deeper focus on things like what type of agency does the target population or member of [the target population] have in the program that we support because that is an indicator of wellness and health. If you feel confident in your agency and your ability to change things, then we feel we are doing a good job. The term “agency” takes on a meaning that is associated with the “capacity” of a member of the target population, what is it that we know about the derived benefits and associated intangible assets.

Rachmaninoff conveyed great understanding about change and personal development facilitated by mechanisms supporting individual growth. The use of agency terminology as expressed by Rachmaninoff provides two reference points associated with 1) the individual’s capabilities to act that may be linked to health and wellness of an entity as well as the person’s capabilities to act; and 2) organizational agency that facilitates and provides support to enrolled

participants in various programs provided by community-based nonprofit organizations. For example, a nonprofit that enables or supports facilitating health, wellness, and growth of participants enrolled in programs.

From a logic model analysis, the result of the programs and services of the nonprofit organization would be described in categories that identify outcomes. In some logic models, outcomes are identified as short-term, intermediate, or long-term outcomes that are stipulated by a projected percentage and documents the individuals experience and growth from a service or program provided by a community-based nonprofit organization. For example, 85 percent of the enrolled participants will enroll in employment training. Some examples of growth could include confidence, greater self-esteem, safety, employment, training, or other related outcomes based on the mission of the nonprofit organization. Intangible assets such as confidence and self-esteem are achieved by individuals served by the nonprofit organization who have this as a purpose of the organization.

Summary. While other interview participants focused on organizational intangible assets, Rachmaninoff identified intangible assets derived from client participants served by nonprofit organizations. According to Rachmaninoff, self-awareness, and integrated cultural identity are all intangible assets. Hope is an intangible asset that is desired outcome for those served by community-based nonprofit organizations. Hope influenced by experience and beliefs, including interventions provided by community-based nonprofit organizations to support moving from unproductive patterns to acquiring new skills and knowledge. The core areas of interest of this funding institution emphasizes recognition for the importance of the work by nonprofits to support their defined target populations.

Case 5: Isabella. Isabella is part of a Minnesota family foundation guided by its mission

and values. Over several decades, the funder has supported varied types of interests in response to community needs, and develops and adjusts its strategies based on learning, reflection, and action. The primary goal of the foundation is to optimize the use of resources to strengthen sustainable communities socially, economically, and environmentally. The funder seeks to improve the quality of life for people now and in future generations.

Primarily, the funder supports organizations in Minnesota and some nonprofit organizations in other countries. Core areas of interest by the foundation include research, existing and emergent knowledge, policy reform, impact investing, strategic communications, and collaborations across issues and sectors. Program areas for grant applications include the arts, education, access to food, and natural resources including water quality and regional development.

Beliefs about intangible assets. Isabella stated that governance, governance structure, stability of the organization, talent of the staff, ability of the staff to articulate the vision of the organization, and experience are important intangible assets. According to Isabella, “credibility is important both within the community and with other stakeholders.” Long-term relationships with organizations, identification of strengths and weaknesses by the organization, and trusting relationships also were cited as important assets. This funder seeks a bottom line that reflects financial, environmental, and social returns on investment.

Measuring intangible assets. Measuring intangible assets according to Isabella “is the hardest part, and there is no nominal scoring.” Measuring, she stated, involves the judgment by the individual representing the funder to help so the evaluation is not subjective. The process for evaluating finding requests include having a staff member of the funding collect data that enables the decision-making process. In some instances, the staff member who collected the data may be

asked for their recommendation to support by the data and assessment. Isabella stated, “there are lots of tools that support measuring” intangible assets.

Summary. The intangible assets identified by Isabella were governance, governance structure, stability of the organization, reputation, talent of the staff, and ability of the staff to articulate the vision of the organization, and the organization’s experience. Isabella further stated that staff evaluations are important and a subjective part of the evaluation process for making funding decisions. She recognized the importance of long-term relationships and trust with community-based nonprofit organizations that request funding.

Case 6: Diana. Diana is part of a funding organization that was one of the first to be established in the world and provides resources that promote social, economic, and racial equity. Policies change overtime with opportunities supported by advocacy to address these changing policies or to create new policies. Relevancy of policies is based on the ability to support addressing social and economic conditions with an objective of achieving racial equity. The funder seeks to reduce the need for social services by changing systems and contributes to policies that empower resident’s self-sufficiency, and to improve education and workforce development opportunities. The funder catalyzes positive change in the community in three ways:

1. Administer charitable funds that enable stakeholders to support causes about which they are passionate.
2. Investment in programs and initiatives that align with the vision of the funder that support vibrancy, inclusivity, and the ability to thrive locally and compete globally.
3. Convene, advocate, and help shape public policy around issues critical to the current and future vitality of the community.

The funder's areas of interest for grant opportunities includes arts and culture, education, economic vitality, civic engagement, health, and the environment. A competitive grant process was established based on the strategic framework of the funder. Grants are awarded annually based on donor specifications. Organizations who provide significant impact for the community are eligible to apply and must meet other criteria as defined by the foundation. Examples include:

- Education, with a focus on high quality pre-school education benefitting low-income children in Minneapolis.
- Increase great schools serving low-income students of color.
- Strengthen school talent and leadership; empower parents, communities, and organizations to advocate educational equity and excellence.

The types of grant applications that are considered include general operations and project support. The grant application process begins with the applicant submitting a letter of inquiry. Contingent on approval of the letter of inquiry, the applicant is invited to submit a full grant application proposal. The grant process takes about 12 weeks beginning with the letter of inquiry.

Beliefs about intangible assets. Diana started our conversation about intangible assets by talking about leadership. According to Diana:

We are always looking for leadership, which I think is an intangible asset, yet we look for it constantly. I mean it is not something that is codified in the applications, but through reputations and discussions and discovery, we find out who those leaders are. So, I think that is a huge intangible asset. So, the question is, it is not only the leader of the nonprofit organization but who else is being groomed as a leader in the nonprofit. We think that this is tremendously important.

She further explained:

It is not only the leader of the nonprofit organization, but who else is being groomed as a leader in the nonprofit...I think the other thing is how stable is the environment in which the nonprofit works. I have to say, I know with the funding scenario that many nonprofit organizations are hand-to-mouth a lot of times just because the money does not always flow as easily as it could. So how is it that we have so many people coming into the nonprofit work and who are willing to really work their hearts out in order to get the job done for the community? And again, that commitment is an intangible asset that we think is an important piece of the nonprofit work we do.

Measuring intangible assets. When asked how her organization measures assets, Diana stated:

I don't know if we have a metric that goes to the intangible assets because we are looking at what can we measure, what can we see, what can we determine that is in better shape because of where their organization is. But I think intangible assets like leadership, and a commitment to equity, and caring about community are all things we ought to measure. I don't know how we would measure it, but I think it is such a big part of what organizations do to make a difference in the community. So, we know it is important, but I don't think we have figured out how to measure those intangible assets. This is a very interesting question.

The other intangible assets identified by the funder were commitment and stability of the organization. Diana also described insightfulness and knowledge about the current funding environment of nonprofit organizations as important assets. Additionally, she recognized that funding and decision-making by funders could be allocated to better support nonprofit

organizations. The presence of numerous criteria, multiple types of applications, absence of market standards, and limited coordination and communications between funders contributes to applicants being in a constant cycle of seeking funding, and that there are opportunities for efficiencies in this process.

Summary. According to Diana, intangible assets are important and include reputation, leadership, the grooming of new leadership within an organization, and a commitment to equity. No metric was identified by Diana for measuring intangible assets, but she expressed the need for identifying a way to measure these assets

Case Analysis Summary. Interview participants were not as familiar with the term “intangible asset” as I had anticipated, but they absolutely related the importance of intangible assets within the work done by nonprofit organizations. Measures for intangible assets are intuitive, reliant on data, and are not systematic way. Thus, the challenge for nonprofit organizations is to be able to respond to requests for information from potential funders in way that highlights all the assets organizations brings to the table—both tangible and intangible.

An analysis of all the cases resulted in three key questions related intangible assets and funding decisions for community-based nonprofit organizations:

1. What intangible assets does the organization possess?
2. What is the value of the programs and services offered by the organization?
3. What is the impact of the organization in the community it serves?

While each of these questions may be separate considerations for funders, all of them are included in the decision-making process. However, there are no clear, systematic criteria to guide community-based nonprofit organizations and funders on the incorporation of intangible assets in the evaluation process or the intangible outcomes that result from the programs and services

provided by the nonprofits.

Cross-Case Analysis and Themes

The cross-case analysis compares the responses of the six interview participants to identify a collective list of intangible assets and illustrate the common intangible assets. The analysis also includes identification of supporting quotations for each of the identified intangibles assets. Table 4.2 identifies the intangible assets cited by the interview participant or a group of the interview participants.

Table 4.2

Identification of Intangible Assets

INTANGIBLE ASSET	INTERVIEW PARTICIPANT(S)
Lack of measuring intangible assets	C1, C2, C3, C4, C6
Reputation	C1, C2, C5, C6
Leadership	C1, C2, C6
Health of the organization	C1
Knowledge, Intellectual Property, and Brand	C3
Hope, Self-Awareness, Integrated Cultural Identity	C4
Governance, Stability, and Experience	C5
Commitment to Equity & Care for the Community	C6, C4

Table 4.3

Intangible Assets Identified in Literature and by Interview Participants

INTANGIBLE ASSET	LITERATURE REVIEW	PARTICIPANTS
Brand	Kylander and Stone, FASB	X
Employee engagement	Alle	X
Employee knowledge	Lopes, Bontis, Investopedia, Alle	X
Governance	Alle	X
Knowledge	Bontis	X
Leadership	Alle	X
Mobilization of strategies	Alle	X
Reputation	Beheshutifar Krouki, Azam	X
Self-esteem	Doty	X
Strength	Alle	X

Themes. From the data and cross-case analysis, five themes emerged

1. There is lack of measurement of intangible assets
2. Leadership of a nonprofit is an intangible asset
3. Reputation of a nonprofit is an intangible asset
4. Commitment to equity and caring about the community are intangible assets
5. Intangible outcomes are driven by nonprofits' intangible assets

The identification of intangible assets is more than a change in the nomenclature or language. Recognition of intangible assets is “insiders” knowledge, and intangible assets are not measured. Another point from the interviews is the differentiation between assets and outcomes. Sue identified the difference, and Rachmaninoff called the outcomes assets. Assets, according to Sue, are organizational intangible assets. Outcomes, according to Rachmaninoff, are the individual derived benefits by participants enrolled in community-based nonprofit organizations. These themes are explored in Chapter 5.

Chapter Five: Discussion

In this chapter I will discuss the study's implications for practice, limitations, and suggestions for future research. The purpose of this study was to explore perceptions about intangible assets to answer the research question: “What are the perceptions of intangible assets of people in agencies that fund nonprofit organizations in Minnesota?”

This research question is important because there is a risk that if perceptions about intangible assets are incorrect among funders and applicants, then there is no clear way or systematic criteria to guide funding decisions. The rulebook for intangible assets by community-based nonprofit organizations does not yet exist. Intangible assets of nonprofits must be viewed within a social, economic, historical, political, and cultural context, and may be impacted by external and uncontrollable forces. For example, organizational intangible assets may be impacted by hidden costs, an economic recession or a decline, or a change in the areas of interest by philanthropic contributors. Individual outcomes may be inhibited by factors in which there is a history of instability resulting from a devastating situation. Some examples of measuring intangible assets are included in this chapter.

Theme Development

Distilling the perspective of intangible assets required a process of reviewing the collected data on an ongoing basis to ensure that the essence of the information was conveyed succinctly. This requires the I to have the ability to remain open to new insights as they evolve.

Themes were developed through the interview process and ongoing analysis of the data. Each interview was transcribed, thoroughly reviewed, and coded. Primary themes were developed through intense review of each of the interview transcripts and codes. Through this review, certain topics and terminology emerged from common responses from interview

participants that supported the cross-case analysis. These topics were then reviewed for thematic importance and verified with the data. I identified any asset that was mentioned more than once as a theme. The categorization of the data evolved into the identification of five themes based on what was similar, different, or the same based on the interview participant's responses:

1. There is lack of measurement of intangible assets
2. Leadership of a nonprofit is an intangible asset
3. Reputation of a nonprofit is an intangible asset
4. Commitment to equity and caring about the community are intangible assets
5. Intangible outcomes are driven by nonprofits' intangible assets

Theme I: Lack of measurement of intangible assets. Based on my research, the interview participants stated that they do not currently measure intangible assets as part of their process for making funding decisions. This is supported by the literature review, which provided several sources that stated intangible assets are not always identifiable and thus, correspondingly are not measured. For example, Gu and Lev (2002) stated in their report at the fourth annual Intangibles Conference and the 2002 American Accounting Association Annual Meeting that there is an "ignorance of intangible assets in these measures" (p. 6). Eckstein (2004) stated that intangible assets and "intangible intellectual capital" are not measured and "accounting has not met the challenge of measuring and reporting the results of knowledge-based entities" (p. 1). The Federal Reserve Bank of Philadelphia estimated that in 2000 more than \$1 trillion was invested in intangible assets. The problems relating to the measurement and recognition of intangibles are international in scope (p. 1).

Based on all the participants' responses, none of them was aware of measurement assessments for intangible assets. Interview participant Mary stated, "you cannot measure

intangible assets, and that it is entirely subjective, particularly when viewing things like organizational leadership and reputation.” However, there are intangible assets that can be measured. Hope, resiliency, and reputation are all intangible assets for which measurement tools have been created.

Measuring hope. According to Snyder (2002):

Hope is defined as the perceived capability to derive pathways to desired goals and motivate oneself via agency thinking to use those pathways. Higher hope consistently is related to better outcomes in academics, athletics, physical health, psychological adjustment, and psychotherapy. (p. 249 – 275)

Additionally, Snyder, et al. (1991) describes the following in measuring hope: “Although participants enrolled in programs may not know there are measures for hope, hope is an example of an intangible outcome that can be measured that becomes an intangible asset” (p. 1).

The Adult Hope Scale (AHS) measure is a 12-item measure of a respondent’s level of hope. The scale is divided into two subscales that comprise “Snyder’s cognitive model of hope” (Snyder, et al., 1991):

Agency (i.e., goal-directed energy) and Pathways (i.e., planning to accomplish goals). Of the 12 items, four make up the Agency subscale and four make up the Pathways subscale. The remaining four items are fillers. Each item is answered using an 8-point Likert-type scale ranging from Definitely False to Definitely True. It should be noted that the authors recommend that when administering the scale, it is called “The Future Scale.” (p. 1)

Measuring resiliency. Resilience is another intangible asset that is measurable. Although, depending on the individual’s developmental stage, this may be considered an intangible outcome in that resiliency supports the individual to work through adversity. The tenacity and

perseverance supports the individual's capacity when faced with adversity but to be vigilant and resilient. The Connor-Davidson Resilience Scale 25 (CD-RISC-25) measures resilience following a traumatic experience. The one page description of the scale (01-01-13) covers resilience factors such as "personal competence, acceptance of change and secure relationships, trust/tolerance/strengthening effects of stress, control and spiritual influences" (Connor & Davidson, 2003, as cited by Pennock, 2016, p. 3).

The Resilience Scale for Adults (RSA) assesses supports that include external support along with personal competence, social competence, social support, family coherence, and personal structure (Friborg, 2003 as cited by Pennock, 2016, p. 4). According to Csikszentmihalyi (2002, p. 200), building resilience is "The ability to take misfortune and make something good come of it is a rare gift. Those who possess it are said to have resilience or courage" (as cited by Pennock, 2016, p. 9).

Resilience was identified as an intangible asset in this research and in the literature review. In community-based nonprofit organizations, serving the needs of children, adolescents, teens, and adults, resiliency and hope are key factors supporting tangible outcomes.

Measuring reputation. Reputation and leadership go hand in hand. Although there are multiple perspectives about reputation and leadership, there were no findings in this research specific to measuring community-based nonprofit organizations leadership and reputation. In 1997, Fortune Magazine *Most Admired Companies* identified several factors associated with measuring corporate reputation: "innovation, quality of management, long-term investment value, social responsibility, people management (ability to attract, develop, and keep talented people), quality of products, financial soundness, use of corporate assets, and global competitiveness" (p. 23). Additional research is recommended to identify assessments of

reputation that is applicable to community based nonprofit organizations that factor in context, resource ranges, organizational systems and staff capacity, external factors such as shifts in areas of interest, technology, demographics, political context if applicable and other external influences.

Study participant Rachmaninoff stated, “If you feel confident in your agency and your ability to change things, then we feel we are doing a good job.” The identification of the term “we” by Rachmaninoff was interpreted by the I that this is a term associated with the funding entity and their selected funded organizations, or this may be interpreted more broadly and may apply to the work of community serving nonprofit organizations. The capacity to feel one can drive change is an indicator of hopefulness and is associated with a belief system. Rachmaninoff stated that there is an “interest in measuring hope.”

Summary. The lack of measuring intangible assets may hinder nonprofit organizations from receiving the funding needed to support their missions. Further, there is not a technological infrastructure in place to support measuring intangible assets, and there is limited knowledge about intangible assets and the value of intangible assets. The organizational capability in many community-based nonprofit organizations is not in place to measure intangible assets and to aggregate data over decades. However, intangible assets can be measured, which is done in other organizations and/or settings.

The discussion of this theme included citing some examples for measuring hope, resiliency is identified although measuring reputation is identified there was no metric found for measuring reputation and leadership. This is a limitation of the research. Categories for measuring reputation are identified in an example for the Fortune Magazine publication although its application for community based nonprofit organizations would need to be researched.

Theme 2: Leadership is an intangible asset. Leadership provides guidance and influence, and ensures the management of the organization. As such, leadership is an intangible asset. As mentioned above, leadership is key to reputation. Without leadership, reputation is a moot point. Trevino, Hartman, and Brown (2000) argued that leaders should not take reputation for granted.

Northouse (2010) defined leadership as the ability to influence a group of people towards a common goal. Cashman (2008) identified authentic leadership skills as relating to character and coping skills. Leadership and character are both important and contribute towards achieving results. According to Tichy and Bennis (2007), “Character means putting the greatest good of the organization and society ahead of self-concern. It’s about worrying about ‘what is right’ rather than who is right” (n.p). Interview participants also expressed the importance of the “quality of leadership.”

Leadership and governance. Leadership is a quality identified by the interview participants and that is associated with governance and management. Governance and management, according to the interview participants, included policies, procedures, strategic planning, brand/marketing, equity, and financial management. There are organizational standards for community-based nonprofit organizations that support governance and management, such as those established by the Charities Review Council. The standards provide donors the confidence that they are investing in credible nonprofit organizations.

Governance is one of the Charity Review Council’s Standards that directs the Board of Directors of nonprofit organizations annually to review the nonprofit’s mission, strategies, and program effectiveness. The standards require Board and staff participation, and are useful in

building trust and productive relationships. Trust is a related intangible asset and is associated with sound governance and management, and thus, leadership.

Leadership talent. The role of leadership is identified as the paid executive of the organization and includes the volunteer Board of Directors. Interview participants Mary, John, and Diana identified leadership as an intangible asset. Mary, John, Isabella and Diana all regarded reputation as an intangible asset. The people in these roles—their expertise, skills, and abilities—play an important role in the reputation of the organization and ability to build trust. As a result, the value of leadership as an intangible asset is linked to the specific people in leadership roles of the organization that include paid and volunteer leaders.

In my interview with Diana, she talked about the “grooming of leadership.” Diana made a point in stating that leadership is not only an intangible asset in terms of the leadership of the organization, but also is the grooming of leadership within the organization. According to Sasser and Narayandas (2006) “talent provides organizations a key competitive advantage, but there must be managers and a process in place to identify and nurture next generation leaders” (p. 1).

Summary. Leadership and reputation go hand in hand. Leadership influences and guides an organization. Leadership provides management and governance such as the development and implementation of policies, procedures and planning. Leadership is more than a hierarchical structure and is cultivated and shared with others.

Theme 3: Reputation is an intangible asset. Many interview participants identified reputation as an important intangible asset of nonprofit organizations. Reputation is an intangible asset that is referenced frequently in the literature (Beheshutifar & Korouki, 2013; Schreiber 2011; Cees & Van Riel, 1997; Van Riel & Fombrun, 2007). According to MacInnis (1999,) reputation is a “general perception that represents the level of esteem and favorability towards the company” (p. 16). Gabbioneta, et al. (2007) stated, “Reputation is a set of collectively held beliefs about a company’s ability to satisfy the interests of various stakeholders” (p.16).

Community support contributes to the reputation of organizations who serve the community and can influence funders in the decision-making process. Funders may ask during their deliberations if the project for which funding is being requested has the support of the community, and if not, why the community does not support it. Community support can be demonstrated by letters of support, volunteering, or participating in planned activities. A lack of community support can be demonstrated by a shortage of votes or an organized protest against a proposed project. Community support is essential to reputation. Community support is representative democracy that embodies a process that involves all members of the community who choose to participate, and reflects the values and principles of the community. Thus, the resulting project becomes a symbol of this process, benefits the community, and is a direct reflection of the organization’s reputation.

Factors that comprise reputation. Reputation is related to projects, civic engagement, or products or services that meet a defined need with a resulting benefit related to consumer satisfaction. We understand product reputation as consumers by the utilization of products. Companies, entrepreneurs, community-based organizations, and others build a clientele as a

result of a product or service. The success of the product or service contributes to the formation, maintenance, and sustainability of reputation. Reputation is not a given; it is earned.

Interview participants offered their ideas about how one assesses reputation, which included:

- Analysis of the organization's track record,
- Determining if the organization can make a positive impact,
- Affiliations and partnerships, and
- Programs and services that demonstrate activities related to the mission, values and principles of the organization.

Martin de Castro (2006) wrote that reputation has three areas: managerial reputation, financial reputation, and product reputation. Each of the three areas identified by de Castro (2006) are individually important and can be associated together. Chun (2005) wrote that no one source captures the entirety of reputation. Further, according to Beheshifar and Korouki (2013):

Reputation is about building trust, that an organization lives up to its core values, acts with integrity, takes responsibility for its mistakes by fixing them quickly, provides quality goods and services, treats employees well, and returns fair value to its shareholders. Increasingly, business organizations are expected to also provide some societal value beyond the goods and services they offer. (p.16)

Forbrum, Van Riel, and Balmer (2013) found that reputation and market position are interrelated and identified that there are six perspectives related to reputation (p. 1). The six perspectives of reputation are economic (goods and services), strategic (imperative, important, necessary), marketing (brand and promotional), organizational (directional, jurisdictional, managerial), accounting (financial, bookkeeping) and sociological (social, cultural, environmental, psychological, or personal). Each context can be understood and all the

reputation contexts combined provide a comprehensive perspective about how we understand reputation holistically within an organization. Reputation is an organizational and personal intangible asset.

Reputation in a crisis. Beheshifar and Korouki (2013) found that reputation is very important when responding to a crisis. An established reputation in a crisis may indicate favorable and supportive assistance. During a crisis, when there is trust established, such as trust in an experienced leader, there may be a reliance on leadership to know that the crisis can be managed. Sometimes the best efforts and experiences cannot deal with a crisis satisfactorily. The best-case scenario is when there is trouble that those involved may come to understand their capability, their will, belief, and faith that demonstrates an ability to withstand trouble when it occurs or inversely to understand vulnerability. Reputation contributes to a capability that can be useful in mobilizing and influencing others, securing resources, and creating the opportunity to respond appropriately. This should not be considered a pronouncement against leadership that is in the beginning stage of development because it is conceivable that a young leader can rise to the occasion and respond appropriately during a crisis.

Summary. Reputation is an intangible asset that is supported by extensive research that points to its value for organizations. From a community-based perspective, the involvement of community contributes to reputation, which is favorably received by funders. There are three types of reputation that include managerial reputation, financial reputation, and product reputation. Trust is a key factor related to reputation. Reputation can be regarded in various scenarios, including a crisis situations.

Theme 4: Commitment to equity and caring about the community.

Equity and the caring of the community were cited by two of the six interview participants. Caring is an intangible asset. According to the Business Dictionary equity is “fairness and impartiality towards all concerned, based on the principles of evenhanded dealing. Equity implies giving as much advantage, consideration or latitude to one party as is given to another. Along with economy, effectiveness and efficiency.” Interview participant C – 4, Rachmaninoff stated that the “theory of change is aligned with race and equity.” The I did not probe the interview participant further about this point because vast disparities persist. Some disparities are identified below from various publications and research providing a context to understand equity both within the Twin Cities and more broadly. A theory of change was identified by interview participant Rachmanioff, who stated that the theory of change alignment is with a deeper focus on race and equity. Rachmanioff was describing a theory of change within the context of their organization.

The theory of change like any change must be supported by research, actions and a commitment to a lived experience for everyone in which discrimination no longer exists. A vision for this type of world is described by Dr. Martin Luther King, Jr. in his speech “ I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin, but by the content of their character.”

Cultural Equity and Inclusion. The Cultural Equity and Inclusion Initiative Literature Review Executive Summary identifies that Non-white nonprofit Board Members in the United States only increased by two percent from 1993 to 2010, from 14 to 16 percent (p. 4).

improving diversity, cultural equity and inclusion in the arts and culture workforce requires changes within organizations. It also requires changes to systems that prepare young people for the workforce, and the pipeline that leads to arts careers (p.8).

Achievement Opportunity. All students can achieve and do well in school, graduate, obtain new skills including a college education and graduation, trade skills and entrepreneur opportunities. The Minneapolis, St. Paul African American Leadership Forum research report, *A Crisis in Our Community Closing the Five Education Gaps* (2011), reported:

The implications are far reaching. African American students, most of whom are low-income, constitute a growing majority of students of color attending Minneapolis and St. Paul public schools. The number of African American children, ages 5-24, is expected to grow 24% between 2006 and 2020. Their future success depends on success in school today. That's because by 2018, 70% of jobs in Minnesota will require a postsecondary education. The community must be able to attract knowledge-based companies with the next generation of well-educated employees. If the next generation of employees will be increasingly made up of racial/ethnic minorities, then reducing the achievement gap is critical to the economic vitality of the Minneapolis- St. Paul metropolitan area (p. 1).

The OneMinneapolis report highlights efforts that are working. The following only depicts some examples from the report that are working:

What works: Nearly 10 percent of Minneapolis residents are self-employed, and small business owners. Small business owners generated 64% of net new jobs over the past 15 years

Making the most of a second chance: Michael after serving a 3-year prison sentence knew he wanted to change his life. Upon release, he enrolled in Project Pride in Living

Excellence Manufacturing class. Within a month of training Michael landed a full-time job earning ten dollars an hour plus benefits.

Minneapolis has one of the largest gaps in employment between whites and communities of color in the nation where only 51% of working age American Indian Adults and only 58% of working-age Black adults are employed. Project for Pride and other community organizations are addressing this need with creating employment training and employment opportunities. Summit Academy OIC a workforce and employment organization CEO often states to “the best social service is a job.” Others like Phyllis Wheatley Community Center’s adult programs – “Family leaders are supported to obtain skills and resources necessary to build their own support networks and meet their family stability goals as outlined in Phyllis Wheatley Community Center’s Family Services programs. Family strengthening programs build upon participants’ personal strengths (intangible asset) by providing intensive nonjudgmental support and assistance in developing life skills, such as goal setting, planning, communication skills, and healthy relationships, parenting choices, financial management, problem solving and decision making. Activities help participants learn to resolve conflicts without violence. PWCC programs create pathways to employment and workforce training by supporting skills and development.

Education and Workforce Opportunity. In the report by the Amherst Wilder Research Foundation located in St. Paul, Minnesota and their report on Education and Workforce Disparities (2014) identifies that while more women are entering into STEM careers, “women continue to be greatly underrepresented in some traditionally – male dominant STEM occupations (p. 1).

When studying for my Master's Degree there was a requirement to study accounting. I was terrified. I had missed the first class. Math was not my favorite subject and one in which I struggled to understand. As I entered the classroom late, my Professor said something humorous that made me laugh and to some degree my fear subsided. My professor had a skill in teaching accounting that made learning accounting interesting. He would identify every-day situations and apply it to accounting and learning. I completed the class and earned a B. Graduated with my Masters of Science in Community Economic Development in 2002. I provided this example because it demonstrates the importance of teacher, and student affiliation supporting relationships that build confidence and learning. This is one example that suggests that my education could have focused on the sciences more and perhaps different methods would have supported contributing to expanding my interest in the sciences and building my confidence to study and excel in this area of study. This is one perspective in understanding STEM and women in this field of study and employment.

Summary. A commitment to equity must be a conscious act of cognition, practices, policies and decision making. Understanding must include context that is both current, historical, and a potential future reality that is inclusive and participatory. Equity and the caring of community uplifts, is transformative and supports what we have in common rather than physical or symbolic barriers to exclude and deny the opportunity for the pursuit of justice, freedom and quality of life for all people and not just some people. Disparities are rampant.

In thinking of community, we need to emphasize the process words, making, creating, weaving, saying and the like. Community cannot be produced through rational formulation nor through edit. Like freedom, it has to be achieved by persons offered the space in which to discover what they recognize together and appreciate in common, they

have to find ways to make intersubjective sense. Again, it ought to be a space infused by the kind of imaginative awareness that enables those involved to imagine alternative possibilities for their own becoming and their group's becoming. Community is not only a question of which social contracts are the most reasonable for individuals to enter. It is a question of what might contribute to the pursuit of shared goods, ways of being together, of attaining mutuality, of reaching toward some common world." (Greene, as cited by Bailey, et al., 2009, p. 25 – 26)

It is unlawful, and morally appalling to limit any people access to live with their families, within communities in a just and free society. No one has the right to limit the opportunity for any people to live in the United States of America within democratic principles and the existing laws that govern and protect against violence that ensure justice and due diligence for all. Caring is an intangible asset and is one element supporting how we understand interactions in relationships, that include communities, businesses, familial and interpersonal associations. Some disparities are identified, and opportunities and some examples of what works is discussed in this theme.

Theme 5: Internal intangible assets drive client intangible outcomes. Intangible assets, as identified by the interview participants, primarily focused on organizational intangible assets (see Table 4.2). The use of the term "intangible assets" was not one that was used in the work of the interview participants. However, as one interview participant stated, funders value intangible results that are less measurable. Organizational intangible assets include certifications, licenses, policies, leadership, and reputation among others. Intangible outcomes are associated with the derived benefits clients receive from community-based nonprofit organizations.

The internal organizational capacity of the organization includes internal organizational intangible assets that influence the organization's capacity to render services and thus the client intangible outcomes. Many of the interview participants focused on organizational intangible assets. They appeared to be aware of some organizational intangibles. Some did not. This is a topic recommended for further research.

Examples identified by the interview participants regarding intangible outcomes include self-esteem and confidence. Organizational intangible assets often are related to outputs and are numerical. In logic models, commonly used by United Way funded organizations, the output describes a defined amount or quantity (Wingate, 2016). According to the Business Dictionary, an output is the amount of energy, work, goods, or services provided by a machine, factory, company, or by an individual within a given time period. It should be clarified that the intangible outcome distinction is important, and this clarification should not minimize its value.

Importance of the study

Intangible assets of nonprofit organizations are very important contributing to serving clients and the success of the organization. Intangible assets have a relationship to investments that supports low-income communities. The identification of organizational intangible assets and intangible outcomes contributes to understanding the value of community-based nonprofit organizations, and this relationship to understanding should support increased investment and sustainability of nonprofit organizations. In the for-profit sector, intangible assets support acquiring capital, and in some instances, intangible assets are recognized, measured and can be included on financial reports (Reilly 2013) or supplementary reports to financial statements.

The inability to assess and measure intangible assets in nonprofit organizations impedes the funder's ability to serve and impacts their decision making. Identification of intangible assets

is critical to answering what a nonprofit organization brings to the table and is associated with the value of the organization. To some extent, intangible assets demystify considerations for investment and the decision-making process.

If funders began to recognize and measure intangible assets, they would be able to make more sound decisions about which organizations are funded. Because funders currently do not measure intangible assets, the information used to make funding decisions is less accurate than it could be. Additionally, it would add value to community-based nonprofit organizations if they could identify their intangible assets for use in applying for funding. What assets organizations measure contributes to validity and credibility, and establishes a quantitative rationale that should not diminish qualitative factors, context, history, and other forces that all may influence an outcome.

The identification of intangible assets introduces a new value that is not employed by community-based nonprofit organizations. Based on my experience, I contend there will be an increased interest in intangible assets because they add value which currently is not included in opportunities for funding. According to the report provided by Ocean Tomo, LLC, the Standard's and Poore's 500 Market Value Analysis further substantiates the importance of intangible assets (see Figure 5.1). In this analysis, the value of intangible assets was 84% higher compared to tangible assets.

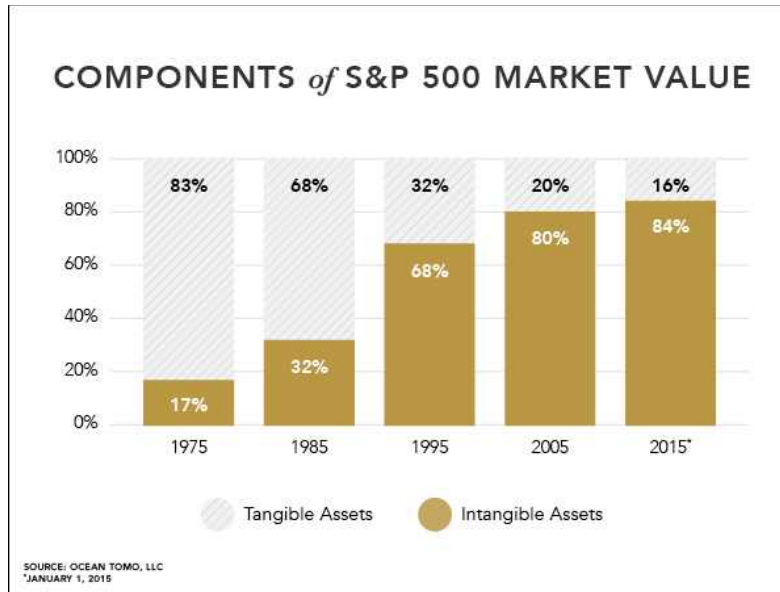


Figure 5. Standard’s and Poore’s 500 Market Value Analysis. (Ocean Tomo, LLC, 2015).

Further Dr. Maria Loumioti (2012) described “the collateralization of intangible assets is a credit market innovation” (p. 1). Loumioti’s research identified several other options for financing cited by other researchers and intangible assets. These recommendations that are identified in her research are found in the Journal of Knowledge Management, 2003, Journal of Financial Economics Volume 85 and in the Review of Financial Studies Volume 24. All of these sources would require further examination to determine if there is potential for new other financing opportunities for community based nonprofit organizations.

Implications for organization development

The national Organization Development Network defines organization development as “planned, organization-wide, managed from the top, increased organization effectiveness and health through planned interventions in the organization’s processes using behavioral science knowledge” (para 1). This research on intangible assets contributes to the field of organization development and social science research by expanding how intangible assets are understood, and the importance of intangible assets and intangible outcomes associated with community-based

nonprofit organizations programs and services. Organizational Development consultants should be able to assist nonprofit organizations to identify and measure intangible assets and meaningful client outcomes. Measuring the number of clients does not say anything about what they accomplished.

I found no research about intangible assets and community based nonprofit organizations. Understanding intangible assets is important when considering organizational interventions and effectiveness within the organizations. Tangible and intangible assets are what nonprofit community based organizations bring to the table, this is valuable and it is recommended as a discussion point with funders and investors. The research adds a new dimension of value and examines some perceptions by funders and their knowledge of intangible assets. The resulting information suggests that it is possible that by not understanding or considering intangible assets in funding decisions is a wide spread phenomenon. Change can shift systems, and at a minimum, the research contributes to raising awareness about the importance and value of intangible assets and the potential to contribute towards organizational effectiveness and understanding about individual outcomes supported by intangible assets

Suggestions for future research

Further research is recommended about nonprofit organizations' capability to identify intangible assets and to provide services to their clients. Funders need to look at intangible assets to know that their money is going to be well spent and further research is important to making this happen. One recommendation for additional research is to expand the number of interview participants and determine how a new analysis would compare to this research. Additionally, more research is needed about community-based nonprofit organizations and their knowledge of

intangible assets. There is insufficient longitudinal data on the impact of the work that is accomplished by community-based nonprofit organizations that deserves research.

Conclusion

In this study, I found that most funders are not systematically measuring intangible assets as part of their funding formula. Establishing the value of intangible assets and shifting how intangible assets are viewed by funders will influence a change in funding models, and correspondingly, more can be done to support the measurement of intangible assets.

More information is needed to determine how the measurement of intangible assets would impact the nonprofit sector. The world's assets are primarily intangible and intangible assets are fundable, this is a value proposition.

There are existing contributions made by community-based nonprofit organizations by intangible outcomes. It is important that the identification of intangible assets contributes to the nonprofit sector's ability to identify and articulate these outcomes supported by the services and programs they provide to clients. I contend this effort is worthy of support and advocacy, and it provides a fundamental shift on how we understand the importance of intangible assets and nonprofit community based organizations. My passion is helping people in need. For foundations and funding groups to best allocate money wisely to fund organizations, intangible assets must be part of the evaluation process.

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Appendix A

Recruitment Letter

DATE

Dear (Name Interview Participant):

My name is Barbara Milon, I am a doctorate student in Organization Development in the graduate School of Education at the University of St. Thomas, Minneapolis, MN. I am studying how funders of nonprofit organizations perceive intangible assets and how intangible assets are used in awarding funding. I would like to ask you to participate in this research, because you are a representative of an area foundation or funding organization. If you agree, I will ask you for an interview that will last approximately 60 minutes.

The purpose of the dissertation research is to define the value of intangible assets, explore the importance of identifying intangible assets for nonprofit community based organizations and examine what funders are doing about intangible assets

Little is known about measuring intangibles assets and the role of community-based nonprofit organizations and intangible assets. The research will contribute to the knowledge about intangible assets generated by community nonprofit organizations.

All of the information I collect will be kept confidential, and you and your organization would remain anonymous in the dissertation and any other reports I write. Any referral recommendations for an interview that you might provide will not be disclosed. All information remains confidential. If you are willing to participate in a scheduled interview, or would like more information, please call me at (612) 251-1266 or email me at Milo9510@stthomas.edu.

Sincerely,

Barbara Milon

Appendix B

Interview Questions

Research Question

- What are the perceptions of intangible assets of people in agencies that fund nonprofit organizations in Minnesota?

Funders Knowledgeable of IA

- Does the funder consider intangible assets important, and if so, which intangible assets do they consider important?
- How do they measure intangible assets?

Other Questions

- What are the categories or areas of interest by the funder?
- What is the criteria/focus when funders assess the success of NP organizations?
- Do funders value intangible results that are less measurable?
- Are funders collecting data, and are they collecting data about intangible results?
- How do you make decisions on who to fund?
- Do funders think they should be collecting data about intangibles and/or intangible assets?
- Do funders value/think intangible results are important
- How do funders collect data about intangibles for example self-esteem, behavior change, stability, self-worth/identity, strengths, resiliency, character development, child's readiness for kindergarten, organizational resilience, brand intangible/ less measurable results, parent/guardian/extended family engagement support?

