

DIVERSIFICATION OF REVENUE AS A CONTEMPORARY CHALLENGE IN THE ACTIVITIES OF PUBLIC BENEFIT ORGANIZATIONS

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Purpose: The aim of the study is to identify instruments to generate revenue among the largest Polish Public Benefit Organizations (PBOs). The study also assesses the studied PBOs in terms of their total revenue alongside their individual components (public and private sources) relative to the instruments of generating income they employ.

Design/methodology/approach: The 100 largest Polish public benefit organizations were selected as the subject of the research, in which a quantitative approach was adopted. In order to identify the 100 largest PBOs and compile a database containing basic information about each, over 8800 statements and technical reports were analyzed. Subsequently, in order to identify individual instruments of revenue generation implemented the 100 largest PBOs, the researchers examined the content of the websites of individual organizations. Computations were carried out to obtain the essential statistics of the quantitative variables concerned, while non-parametric tests were used to establish relationships between the variables.

Findings: The article focuses on determining the relationship between the number of earning instruments used (revenue diversification) and the economic outcomes (construed as total revenue and revenue from private sources). The article demonstrates that total revenue is not as efficient a parameter to link the number of earning instruments as the share of private revenue in total revenue. This is due to the fact that both the quantity of earning instruments used and the proportion of private revenue in total revenue attest to a pro-entrepreneurial attitude of the organization.

Research limitations/implications: Only the 100 largest PBOs out of more than 8000 organizations were surveyed (in future, all PBO groups should be examined as opposed to the largest organizations alone). The size of the organization was defined by only one parameter, i.e. the volume of total revenue. The study examined the number of earning instruments exclusively to align them with the revenue generated by the PBOs. The effectiveness of individual instruments was not analyzed.

Practical implications: For organizations which aim to be pro-entrepreneurial (i.e. increase their revenue levels and, in particular, the share of private revenue in total revenue), using more earning instruments is a better strategy than concentrating and developing a limited number of such solutions.

Social implications: Organizations which achieve greater revenue are able to pursue their mission effectively (e.g. help more end beneficiaries, undertake more efficient information and promotional activities targeting a specific social issue, etc.).

Originality/value: The relationship between the number of earning instruments applied online and the basic economic parameters of PBOs (such as their degree of economization) has not been examined previously. As a result, this study identifies new relationships which should be explored further through research.

Keywords: public benefit organization, revenue diversification, economization.

Category of the paper: Research paper.

1. Introduction

The concept of revenue diversification derives from the Modern Portfolio Theory formulated in 1952 by Markowitz (1952), which describes the process in which an investor selects a particular investment portfolio (Carroll, Stater, 2008, p. 948). Revenue diversification is directly linked to the concept of economization in non-profit organizations, whereby the latter shift their financial dependence on the public sector to self-generated income from so-called social entrepreneurship (Khieng, Dahles, 2015, p. 218). Thus, the idea is that non-profit organizations work towards their own means to gain greater independence, and the economization of the non-profit sector can be regarded as an attempt to "escape" from the peculiar trap of dependence on public administration (Wygnański, 2008, p. 9). The issue of non-profit organizations seeking economization and adopting an entrepreneurial approach in the modern market economy causes considerable controversy among both scholars and management practitioners as both proponents and opponents of market orientation among non-profit organizations have voiced their respective arguments in the debate (Deborah, Keely, 2009; Jutta, Schneiker, 2018). Also, the very degree to which non-profit organizations are commercialized raises a number of questions. Certain organizations function similar to administrative bodies, and their organizational culture is similar to what one sees in the public sector, whereas others resemble organized businesses in how they function. It is underlined in the relevant literature that many NGOs attach only minor significance to gaining a competitive advantage (Huczek, 2012, p. 33). Others, however, are beginning to function in the manner of typical commercial enterprises, and this also leads to much controversy and allegations of excessive departure from the mission of a non-profit organization. Generally, economization means a chance to raise funds for the organization's own activities; to regain "inner control", abandon the attitude of "soliciting handouts" and renounce total dependence on public and private donors; the possibility of avoiding a situation in which the organization becomes an "extension" of public institutions or a hostage to philanthropic favor (Wygnański, 2008, p. 9). Opponents of this approach stress the danger of non-profits becoming too similar to for-profit enterprises (Gibelman, Gelman, 2004) and the conflict of priorities (Foster, Bradach, 2005; Chetkovich, Frumkin, 2003), or they underscore the risks involved (Gras, Mendoza-Abarca, 2014), etc.

In turn, advocates of economization invoke the crisis of the welfare state (Tzifakis et al., 2017; Nga, 2015), the fact that such organizations should operate according to specific business models (Grassl, 2012; Cooney, 2011; Rodríguez, 2016; McDonald et al., 2021; Cucari et al., 2020) and generate socio-economic values (Weerawardena et al., 2021; Teegen et al., 2004).

A number of social enterprises emerge from donor-dependent non-profit organizations which are transitioning towards financially independent social enterprises. This is due in part to a decline in foreign aid and external funding, as well as to the increased competition that volatile economic circumstances bring about (Schoonwinkel et al., 2021). Such a transformation, however, requires the ability to use a range of earning instruments spanning both private and public sources.

As of 2004, Polish non-profit organizations which possess legal personality can apply for an additional status: a Public Benefit Organization. Currently, Public Benefit Organizations (PBOs) are one of the most important elements in the Polish landscape of non-profit organizations, functioning under the Act of 24 April 2003 on public benefit activity and voluntary service (Journal of Laws No. 96, item 873, 2003). Having obtained PBO status, such bodies have, e.g. the opportunity of receiving 1% transfers from personal income tax, are exempted from certain fiscal duties (corporate income tax, real estate tax, civil law transaction tax, as well as stamp duties and court fees), or may disseminate information on their activities via public radio and television free of charge. However, in order for an organization to obtain that status, a number of conditions have to be met. For instance, it is required that an NGO may engage in economic undertakings only as an additional activity to the efforts for public benefit, provided that the entire revenue of the organization is intended for the public benefit activity. PBO status also entails a number of obligations, such as accurate and transparent reporting (each public benefit organization must provide its financial statements and a report on its activities by 15 July of the year following the year for which the statements are submitted, on the website of the National Freedom Institute). Public benefit organizations account for approximately 10% of all registered third-sector organizations in Poland (with approximately 9000 PBOs). At the same time, they are often the largest and most active organizations among all non-profit organizations in Poland. At the end of 2019, there were 9400 PBOs operating in Poland (some of which were actually inactive, however). PBOs, therefore, constituted 10.5% of active non-profit organizations such as associations and similar social organizations, foundations, social religious entities and economic self-governance. In 2019, 8900 PBOs were eligible to receive 1% tax transfers, of which 98.9% did receive funds from that source. In 2020, the income of PBOs from 1% of personal income tax totaled nearly PLN 907,000,000, which exceeded the figure for the previous year by PLN 33,000,000 and was 2.5 times higher than ten years earlier (CSO, 2021).

The main aim of the article is to identify earning instruments used by major Polish PBOs (with the amount of total annual revenue achieved by a particular PBO as a principal criterion for selection).

This paper is structured as follows: Section 2 describes the theoretical foundations of various approaches to revenue diversification and economization in the non-profit sector as well as outlines the arguments of proponents and opponents of diversifying the revenue generated by non-profit organizations (Section 2.1). The theoretical underpinning of the research hypotheses is provided in Section 2.2. Subsequently, the research methodology is delineated in Section 3. Section 4 presents the results of the survey among the 100 largest Polish non-profit organizations, and Section 5 discusses the outcomes as well as the study implications.

2. Conceptual background

2.1. Literature review

Individual PBOs make use of a broader range of profit-making instruments in order to diversify their sources of revenue. Irrespective of whether these are attempts at commercial earning (e.g. online stores, services in the form of courses and training) or charity-oriented undertakings (charity auctions, premium text messaging), diversification of revenue sources is the goal. Based on economic and financial research, diversification of revenue in non-profit organizations appears to be a rational strategy (Mikolajczak, 2018, p. 774). Nevertheless, numerous researchers who study this issue cite both advantages and disadvantages of such solutions. Fig. 1 shows sample arguments of supporters and opponents of revenue diversification among non-profit organizations.



Figure 1. Advantages and disadvantages of diversifying revenue sources in non-profit organizations.

Source: own elaboration.

Proponents primarily emphasize that adaptive diversification should lead to greater stability of non-profit organizations, which potentially makes longevity, sustainability and predictability also more likely (Jegers, 1997; Kingma, 1993; Mikolajczak, 2019; Carroll, Stater, 2008; Ondiege et al., 2021). As greater stability often contributes to greater sustainability, longevity or reduced volatility, many authors use these terms interchangeably when highlighting the benefits of diversified revenue sources. Nevertheless, these very notions are most often mentioned by advocates of non-profit organizations diversifying their sources of revenue since they serve to underscore that even if one source proves unstable for various reasons, there are still other opportunities for generating funds. This resembles the situation when governments finance expenditure with multiple tax instruments so that potentially declining proceeds from one revenue source are compensated for by greater takings from other sources (Carroll, Stater, 2008, p. 949). Another frequently invoked argument in favor of revenue diversification is that more sources translate into more gains (by virtue of straightforward addition) (Grasse et al., 2016).

Another argument put forward by the proponents of diversified sources of revenue in non-profit organizations is that a higher number of sources of revenue (private and commercial ones in particular) promotes independence from the public sector. In this case, financial contributors (often politicians) cannot exert pressure on the organization's activities (Carroll, Stater, 2008; Chang, Tuckman, 1994). However, increased independence does not have to apply to the public sector exclusively. Indeed, skillful diversification can ensure autonomy from either sector – public or private (Mikolajczak, 2019; Han, 2017; Frumkin, Keating, 2011).

Proponents of diversification of revenue sources in non-profit organizations also argue that it enables flexible adaptation to the currently prevalent circumstances (Chang, Tuckman, 1994; Heengama, 2019). Thus, more revenue sources offer flexibility (Hung, Hager, 2019, p. 6), which is reflected not only in the responsive application of different revenue sources but ensures flexible functioning throughout the organization.

Furthermore, by diversifying revenue sources, PBOs are able to optimize costs (Burkart et al., 2017; Ortiz, 2001), which primarily means the possibility of breaking down fixed costs into a larger number of activities (i.e. earning instruments already in operation).

As for the arguments against the revenue diversification strategy, mission conflict is most often invoked (Wicker et al., 2013; Moeller, Valentinov, 2012; Froelich, 1999). The activities of NGOs are not oriented toward profit, which is one of their essential characteristics (Mikolajczak, 2019, p. 114). By so doing, one renounces the “social spirit”, in a sense betraying social ideals and functioning in a manner of a classic for-profit organization (Ferris, Graddy, 1989).

Opponents of diversification also contend that functional complexity increases in an organization which establishes new channels for gaining revenue. Its diversification gives rise to new concerns and greater complexity (Froelich, 1999, p. 263). Operating different revenue instruments may require different resources, knowledge and skills, which may at times

even be at odds with one another (Fischer et al., 2011). Moreover, the increased complexity of handling specific earning instruments is accompanied by the disappearance of specialization. If an organization does not focus on a limited number of instruments, it loses its specialization, and none of the instruments is operated expertly and with due diligence. On the other hand, specializing in multiple earning instruments requires distinct administrative apparatuses across the various approaches (Hager, Hung, 2020). This, in turn, reveals another disadvantage of revenue diversification, i.e. higher cost of maintaining technical infrastructure, personnel and other resources. Certain findings from the research show that managing multiple revenue instruments involves elevated costs incurred by non-profit organizations, such as increased administrative monitoring and higher reporting outlay (Gronjberg, 1993).

The crowding-out effect is another frequently cited argument against diversifying the activities of PBOs (Nikolova, 2014; Simmons, Emanuele, 2004; Andreoni, Payne, 2011). Numerous donors decide not to donate “because the organization makes money in other ways, after all”. In particular, this may apply to commercial activity through which a PBO “comes to resemble” a business (Mikolajczak, Bajak, 2021).

As can be seen, certain arguments concern the same issue, which, nonetheless, is approached from two opposite standpoints. For instance, the supporters of revenue diversification in PBOs may emphasize possible cost optimization, while the opponents will draw attention to the higher costs of maintaining the infrastructure and human resources required to operate a particular revenue instrument. Therefore, a situational approach is advisable in such cases. Each organization is unique: one will be able to make use of its staff and volunteers effectively to operate multiple communication and revenue channels, while another will need to acquire additional, expensive resources. Increased autonomy of the PBO in that it becomes independent of the public donor is another example: an organization is thus capable of pursuing its mission without political pressure but, on the other hand, "mission conflict" is often highlighted among the disadvantages of diversifying sources of revenue as already noted above. Therefore, the advantages and disadvantages cited should rather be considered as possible in non-profit organizations, but the question of whether they actually occur requires additional research within each organization.

2.2. Formulating hypotheses

The efficacy of non-profit organizations increasingly depends on the financial sources which support their social objectives (Mikolajczak, 2019, p. 113). Thus, non-profit organizations (including public benefit organizations, which are a significant proportion of that group in Poland) require adequate resources to pursue their goals effectively, just as for-profit entities. Hence, the Resource Dependency Theory offers a point of departure when explaining the rationale behind different instruments of earning since the effective use of such instruments enables an entity to acquire specific resources that the functioning of a PBO demands, including vital financial resources. Therefore one should particularly highlight PBO resource dependence

and simultaneously the Resource Dependency Theory which proved instrumental in the development of the resource approach conceived in the 1970s by Jeffrey Pfeffer and Gerald Salancik (1978). Within the RDT, the skill to garner resources is a prerequisite to organizational development; in other words: “the key to organizational survival is the ability to acquire and maintain resources” (Pfeffer, Salancik, 1978, p. 2). Efficient PBOs adapt to the circumstances by modifying their resource acquisition strategies. One such strategy is to increase revenue diversity by implementing more instruments to serve specific recipients (donors, clients, grant-givers, etc.). Derived directly from the RDT is the environmental dependency theory (e.g. with regard to acquiring resources), which, in turn, describes organizational adaptation theory (organizational congruence). Adaptation is perhaps one of the most ubiquitous notions in organizational theory and strategic management (Sarta et al., 2021, p. 44). The environment is construed as the dominant factor which determines the behavior of both the organization as a whole and its individual components. In a nutshell, larger organizations should have a greater capacity for introducing new earning instruments, which should then contribute to higher revenue. Conversely, continual change in the environments where major resource providers are involved translates into specific threats and novel opportunities for funding PBOs. In consequence, one observes variable funding sources and readjusted dependency relationships (Froelich, 1999, p. 248). Thus, Hypothesis H1 asserts as follows :

H1: There is a positive relationship between the number of earning instruments used by the largest Polish PBOs and the total revenue they generate.

It is thus assumed that the earning instruments in question are effectively used, leading to revenue diversification, which in its turn has a positive impact on total revenue.

From the standpoint of the RDT and organizational adaptation theory, it is possible to reverse the problem analyzed in the paper and conclude that the degree of revenue diversification in a particular PBO does not eliminate its resource dependence; notwithstanding, revenue diversification maximizes resource independence from single capital donors (Hung, Hager, 2019; Chang, Tuckman, 1994; Mozos et al., 2016). In particular, reliance on private sources reduces dependence on the public sector, as underlined in numerous relevant studies (e.g. Han, 2017; Frumkin, Keating, 2011; Carroll, Stater, 2008).

According to some authors (Guo, 2006; Stone, et al., 2001; Segal, Weisbrod, 1998), there is a negative relationship (i.e. Crowding-out effect) between raising funds from private sources (including commercial ones) and donations (especially from the public sector). However, other authors (Enjolras, 2002; LeRoux, 2005) have determined a positive relationship between diversified revenue from public and private sources and the absence of the crowding-out effect. Hypothesis H2 therefore states:

H2: There is a positive relationship between the earning instruments used by the largest Polish PBOs and the proportion of revenue from private sources (expressed as a percentage) in the total revenue of such organizations.

Thus, it is presumed that said earning instruments are effectively used and, being geared primarily towards private donors/clients, result in revenue diversification which does not cause the crowding-out effect and therefore contributes to increased revenue.

3. Research methodology

The research targeted public benefit organizations (PBOs) as defined in the Act of 24 April 2003 on public benefit activity and voluntary service. The largest PBOs were identified using a database of financial and substantive reports of public benefit organizations maintained by the National Freedom Institute—Centre for Civil Society Development. Reports for 2019 were analyzed at the turn of 2020/2021 (as PBOs are obliged to publish their annual reports by 15 July the following year). Therefore, the data on the revenue volume or total revenue cited in the paper refer to that very year. The analytical procedure consisted in reviewing each of over 8,800 reports and entering their respective values in an Excel spreadsheet (which made it possible to identify the largest Polish PBOs using their total revenue as the selection criterion). As may be expected, it was a laborious and time-consuming process.

The next stage involved the identification of revenue-generating instruments that the PBOs selected in the first stage took advantage of (this part of the study was conducted in October and November 2021). It should be clearly emphasized that they were identified based solely on the information obtained from the websites of respective organizations. For this purpose, it was verified whether each PBO runs their own website (in view of the fact that 100 of the largest Polish PBOs were concerned, each of the organizations proved to have one). A vast majority of the organizations posted a link to their website in their substantive report, which was publicly available on the Internet. In the remaining cases, a standard Google search was used to identify the website. The research framework is presented in Fig. 2.

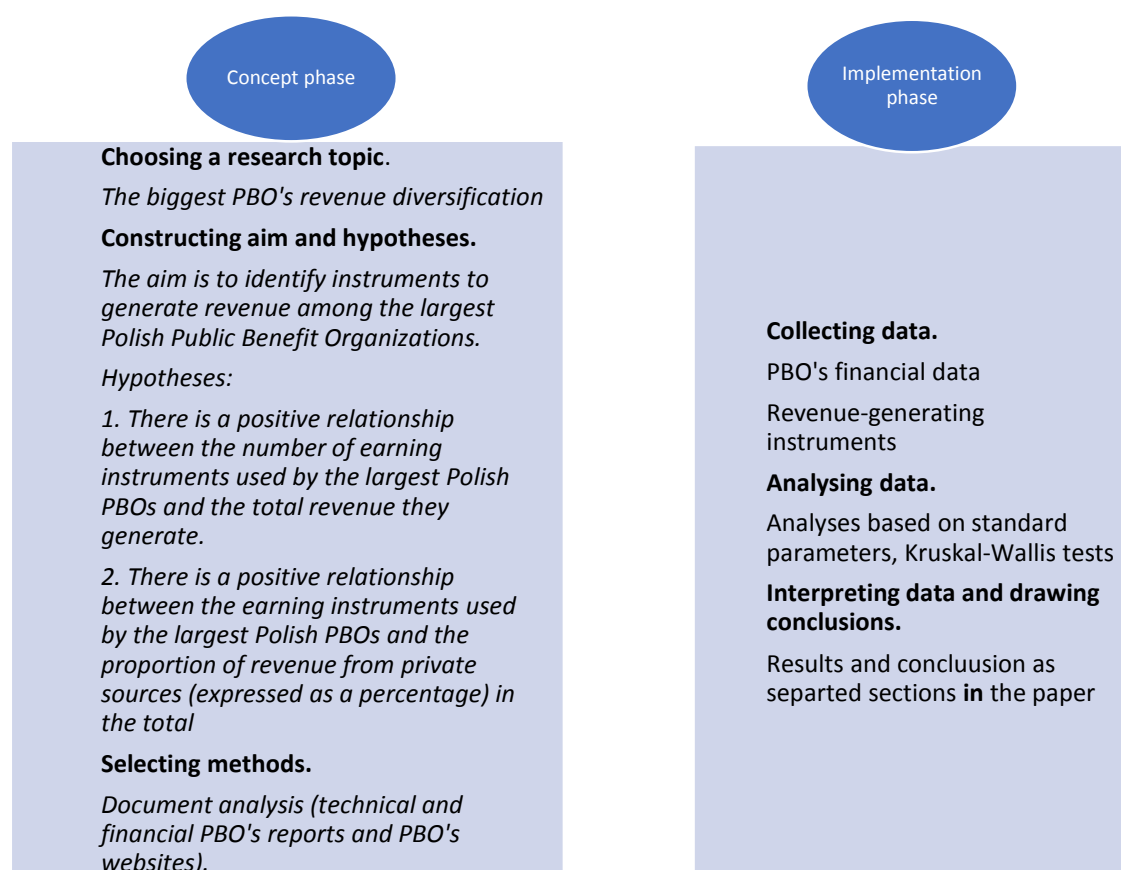


Figure 2. Research framework.

Source: own elaboration.

In order to verify posited hypotheses, statistical analyses were performed using the IBM SPSS Statistics 28 software package. Basic statistics of the quantitative variables examined in this study were computed together with a Kolmogorov-Smirnov test, which showed that the distribution of all variables differs extensively from a normal distribution, which required further analysis using non-parametric tests.

4. Research results

4.1. Identification of earning instruments and sources of revenue in public benefit organizations

Website analysis revealed 18 different solutions that the largest Polish public benefit organizations employ to generate revenue. These include instruments typical of purely commercial activities (e.g. online stores with merchandise or a range of training courses), as well as solutions one usually encounters with non-profit organizations (donations, fundraising or schemes exclusive to PBOs, such as 1 % transfers from personal income tax).

Specific mechanisms of revenue generation are characterized below (while Tab. 1 shows how frequently they are used by the largest organizations):

1. **Allegro Charity platform**—PBOs run auctions on the dedicated website, charytatywni.allegro.pl (the entire proceeds from sales go to a given charity).
2. **Ambassadors**—as an incentive to donate. Famous persons (e.g. actors, sportspeople, politicians) sell cards with their own signature, a celebrity dinner opportunity and so on for a specific amount of money. At the same time, the entire amount is earmarked for a specific PBO which carries out such an action.
3. **Donations as a gift**—the recipients gain a sense of contributing to worthwhile undertakings, supporting persons or animals in need, etc. For example, newlyweds are not bought flowers; instead, money is donated online to a specific organization, and the young couple receives a thank you note.
4. **Facebook (donation opportunity)**—a PBO is registered with the Facebook Payment service so that users can donate funds through Facebook.
5. **Facebook (fundraising)**—launching fundraisers for a particular PBO. The money thus raised is subsequently donated to the organization.
6. **Fanimani**—transferring a proportion of the money from purchase (tie-in). At a store, the customer pays the actual price of purchase, but the percentage of the amount goes to a selected charity (2.5% on average).
7. **Courses**—online courses run by PBOs in various fields (e.g. healthy lifestyle, nutrition, etc.).
8. **PayPal**—a fast and secure way to transfer money online (the service operates in a manner of an electronic wallet). When making a donation to a selected PBO, all a user has to do is log in with their password and authorize the payment with one click.
9. **Online tax return**—this mechanism involves a specially developed tax return program available on the website of an organization. The program facilitates completing tax returns; simultaneously, it automatically enters the data of that particular organization in order to transfer 1% of personal income tax.
10. **Premium text messaging**—upon agreement with a particular mobile service provider, a Public Benefit Organization receives all or part of what is charged for texts sent by donors.
11. **Online money transfer**—allows donations to be made directly from the website of the charity. These transfers are made using e-payment systems such as PayU, Tpay, Przelewy24 or Dotpay. Payments can be made to the PBO or to a specific initiative that the organization supports (e.g. donations to sick children, specific animals, etc.).
12. **Siepomaga**—PBO's website enables access to charity services run by Siepomaga Foundation. It is the largest charity crowdfunding platform in Poland.
13. **Store**—an online shopping venue (selling merchandise donated to or purchased by a PBO at discount prices).

14. **Sub-account**—enables PBOs to collect money from various sources, but there is a clearly defined recipient of the aid (e.g. a specifically named child affected by a medical condition or disability).
15. **Wills**—PBO's website offers help and provides instructions on how to bequeath part or all of one's financial or material assets to further the organization's mission.
16. **Traditional bank transfer**—anyone can donate by means of a traditional transfer to the account whose number is provided on the organization's website.
17. **Support from individual persons**—the PBO website lists specific categories (i.e. what is required, e.g. food, clothing) and advises how to donate.
18. **Support from enterprises**—help obtained through collaboration with business in various forms, including, e.g. pay-roll (an employee contribution scheme: a voluntary, regular financial contribution from employees of enterprises or other institutions to a PBO), Christmas cards or carols (purchases made by employees of a given enterprise, employee volunteering, donations in kind, advertising in return for sponsorship, etc.).

Table 1.*Earning instruments used by the largest public benefit organizations*

No.	Instrument of revenue generation	Number of PBOs	No.	Instrument of revenue generation	Number of PBOs
1	Allegro Charity	3	10.	Premium SMS	4
2	Ambassadors	1	11.	Online transfer	51
3	Donation as a gift	3	12.	Siepomaga	4
4	Facebook donation	24	13.	Store	9
5	Facebook fundraisers	26	14.	Subaccount	26
6	Fanimani	7	15.	Wills	5
7	Courses	4	16.	Traditional bank transfer	71
8.	PayPal	7	17.	Support from individuals	13
9.	Tax return online	55	18.	Support from enterprises	18

Source: own elaboration.

PBO revenue generation instruments listed in Tab. 1 display degrees of popularity: from encouraging donors to make traditional bank transfers (incentives promoting this type of contribution receive substantial exposure on the websites of most organizations) to methods employed only by individual organizations, such as ambassadors or Allegro Charity. A number of the instruments are still to be found on the websites but, due to changes in legislation, they are of little use (e.g. the embedded software which enables one to complete the tax returns and transfer 1% of the tax to the organization; however, there were cases when information about free assistance in filling in tax forms was posted next to the application). Moreover, there are instruments whose operation depends not only on the organization, but on third parties, such as sub-accounts which, in principle, constitute an accounting service, enabling public benefit organizations to allocate funds for a specific beneficiary within a general bank account according to the donor's preference. In this case, the amount of the funds received is often contingent on the activity of the closest persons and friends of the direct beneficiary. Nevertheless, it seems that the number of methods to raise funds from immediate outside

sources is a useful gauge of a more or less proactive (pro-entrepreneurial) approach of an organization towards its environment.

A similar indicator which evinces a more or less pro-entrepreneurial attitude of the management in the surveyed organizations is not so much the volume of revenue itself or their being among the 100 largest PBOs in Poland, but the structure of the revenue obtained. Here, the ability to raise funds from the private sector is particularly important, as it demonstrates the degree of economization of a given organization and its ability to persuade clients/donors to transfer funds.

Individual components of public sources include:

1. **European funds within the meaning of public finance regulations**—any funds obtained as part of European funding schemes are stated here, e.g. funding from particular Regional Operational Programmes (allocated to PBOs operating in a given province) or under the Operational Programme Knowledge Education Development (with which numerous PBOs applied).
2. **State budgetary funds**—money obtained from the state budget and central bodies, e.g. from the Ministry of Family and Social Policy or the Ministry of Environment, as well as funds received as part of the programmes of the National Freedom Institute—Centre for Civil Society Development: Civil Initiatives Fund, Scout Movement Development Governmental Programme, Folk Universities, International Meeting Centers and others.
3. **Funds from the budgets of local government bodies**—money received from local self-governments, e.g. the value of grants received as part of open tenders organized by local authorities.
4. **Funds from state special-purpose funds**—such as funds from the State Fund for Rehabilitation of the Disabled, Physical Culture Development Fund, Culture Promotion Fund or programmes of the National Freedom Institute, e.g. the Solidarity Corps.

It should be noted that private sources include revenue obtained from:

1. **1% transfer from personal income tax**—one-hundredth of one's income tax which a taxpayer may donate to a public benefit organization of their choice.
2. **Membership fees**—membership fees paid by members of an organization.
3. **Donations from individuals**—all donations made to a public benefit organization by individuals.
4. **Corporate donations**—any donations made to the charity by a legal entity, such as a company.
5. **Contributions from the public** (community collections, fundraising)—organizing various events, collections, etc., to raise money for a specific purpose.
6. **Inheritances, bequests**—any form of will or bequest made to the benefit of a particular charity.

7. **Revenue from assets**—in the sale or rental/hire of assets.
8. **Business**—a component of private revenue which largely determines the degree to which a specific organization opts for commercial operation and defines its pro-entrepreneurial approach to its environment.

Tab. 2 shows particular components comprised in selected groups of revenue which constitute public and private sources, along with the amount of revenue expressed in millions PLN.

Table 2.
Sources of revenue of the largest PBOs

No.	Public sources	Received amounts (in millions PLN)	No.	Private sources	Received amounts (in millions PLN)
1.	European funds within the meaning of public finance regulations	215,047	1.	1% transfer from personal income tax	396,294
2.	state budgetary funds	248,308	2.	membership fees	18,059
3.	budget of local governance bodies	748,524	3.	donations from individuals	420,373
4.	state special-purpose funds	99,576	4.	corporate donations	308,276
			5.	contributions from the public (community collections, fundraising)	188,481
			6.	inheritances, bequests	5,478
			7.	revenue from assets	7,427
			8.	business activities	423,144

Source: own elaboration based on annual reports on PBO activities.

It remains debatable whether one should classify the revenue from the 1% of personal income tax to a specific group (i.e. public or private sources); because these funds originate from a part of the income tax, they are the property of the state. Nevertheless, it is the taxpayers themselves who decide which organizations should receive a proportion of the taxes they pay. As a result, legislative decisions gave rise to a specific market, which may be described as the one-per-cent market, which witnesses competition between entities entitled to receive 1% tax, while money is the object of exchange (Czetwertyński, 2016, p. 70). Since PBOs vie for the favor of taxpayers in terms of demand, certain competition mechanisms are in evidence, and the openness and ingenuity of PBOs which seek to acquire such funds are indicative of their pro-entrepreneurial attitude. Another issue is that revenue stated in the substantive reports on the activities of PBOs as *Other sources* has been omitted. This category makes it possible to show various revenue types (e.g. educational subsidies, but also financial revenue, etc.). Therefore, one cannot conclusively determine whether the latter funds qualify as public or private sources and, consequently, these items have not been included (the amount totaled PLN 680,000,000 for all organizations surveyed).

4.2. Scale of entrepreneurial orientation in public benefit organizations

Although the analysis focused solely on the group of the 100 largest public benefit organizations, a substantial diversity within this group should be stressed. There are organizations whose total revenue exceeds PLN 250,000,000, and there are also those which achieved no more than several million Polish zlotys in revenue. A similar disparity is observed in the revenue volumes from particular sources (private or public) and the extent of the organization's entrepreneurial attitude. Certain organizations rely almost entirely on private sources to gather financial resources (exceeding 99% of total revenue) whereas, for some, that share is negligible, reaching nearly a fraction of a percent (Tab. 3).

Table 3.

Basic descriptive statistics of the examined quantitative variables for the 100 largest PBOs

Specification	M	Me	SD	Sk.	Kurt.	Min.	Max.
Total revenue (in millions PLN)	37,594	22,014	41,474	3.150	10.970	13,743	254,576
Total private sources (in millions PLN)	17,675	5,158	36,977	3.999	18.426	0,042	242,770
Share of private sources in total revenue (%)	35,922	27,190	34,998	0,737	-0,910	0,132	99,871

M - mean; Me - median; SD - standard deviation; Sk. - skewness; Kurtosis - kurtosis; Min and Max - lowest and highest values of the distribution.

Source: own elaboration.

The 100 largest Polish PBOs also differ with respect to revenue-generating instruments they use. Having divided the entire set into four groups (Group 1: under 15,000,000 PLN; the limits for the subsequent groups are staggered by a factor of two), particularly notable differences are demonstrated between the smallest and the largest PBOs (the mean and the median differ twofold).

Table 4.

Earning instruments (actual figure) for the 100 largest PBOs with breakdown by groups in terms of total revenue

Groups*- total revenue (in millions)	Number	M	Me	SD	Sk.	Kurt.	Min	Max
under 15	17	2,647	3,000	2,178	0,515	-0,713	0	7
under 30	51	2,745	2,000	2,374	1,475	2,379	0	11
under 60	17	5,400	4,000	2,449	-0,233	-0,729	1	8
above 60	15	6,05	6,00	3,719	-0,076	-0,727	1	9
Total	100	3,370	3,000	2,791	0,957	0,334	0	12

Group 1 - under PLN 15,000,000; Group 2 - under PLN 30,000,000; Group 3 - under PLN 60,000,000; Group 4 - above PLN 60,000,000. M - mean; Me - median; SD - standard deviation; Sk. - skewness; Kurt. - kurtosis; Min and Max - lowest and highest values of the distribution.

Source: own elaboration.

Given that the figures for the four analyzed groups of PBOs were not identical, Kruskal-Wallis tests were performed in order to verify whether there was indeed a statistically significant difference between the number of revenue-generating instruments used and the size of the organization. The test ($\chi^2(3) = 9.710$, $p = 0.021$) apparently confirms that there is a relationship between the size of the organization and the earning instruments used. However,

the application of the Bonferroni correction indicates that the number of instruments for all analyzed groups is the same (pairwise comparison did not demonstrate any differences for that relationship, only achieving a result approaching statistical significance, i.e. $p = 0.054$, which would suggest that organizations in Group 4 were characterized by a minimally higher degree of instrument use compared to Group 2). Therefore, Hypothesis 1 (which presumed a positive relationship between the volume of generated revenue and the quantity of earning instruments employed) should be rejected.

Table 5.

Pairwise comparison of the quantity of earning instruments used relative to total revenue of the organization

Groups *	Test statistic	Standard error	Standardized test statistic	Significance	Adjusted significance **
*1-2	-0,461	8,034	-0,057	0,954	1,000
1-3	-16,147	9,840	-1,641	0,101	0,605
1-4	-22,486	10,163	-2,213	0,027	0,162
2-3	-15,686	8,034	-1,952	0,051	0,305
2-4	-22,025	8,427	-2,614	0,009	0,054
3-4	-6,339	10,163	-0,624	0,533	1,000

Each row tests null hypotheses about whether distributions for Samples 1 and 2 are the same. The table shows values for asymptotic significance (two-tailed tests). The significance level is 0.05.

*Groups: Group 1 - under PLN 15,000,000; Group 2 - under PLN 30,000,000; Group 3 - under PLN 60,000,000; Group 4 - above PLN 60,000,000. **Significance values for multiple tests were adjusted using the Bonferroni method.

Source: own elaboration.

More substantial discrepancies between the analyzed PBOs become evident when, instead of total revenue division, the share of either private or public sources in total revenue is adopted. Having divided the entire set into four groups in terms of the share of private revenue in total revenue in line with the adopted thresholds (Group 1 under 25% of private revenue in total revenue, Group 2 under 50%; Group 3 under 75% and Group 4 under 100%), one arrives at the basic parameters of descriptive statistics presented in Tab. 6. These groups are not homogeneous (e.g. the arithmetic mean for revenue instruments between the largest and the smallest PBOs is threefold higher for the former, while the median is sixfold).

Table 6.

Revenue generating instruments (actual figure) for the 100 largest PBOs and broken into groups by the proportion of private sources in total revenue

Groups*- share of private revenue in total revenue	Number	M	Me	SD	Sk.	Kurt.	Min	Max
under 25	49	2,000	1,000	1,780	0,833	-0,240	0	6
under 50	22	3,270	3,000	2,074	0,620	-0,535	1	8
under 75	8	5,000	5,000	2,449	-0,233	-0,729	1	8
under 100	21	6,05	6,00	3,339	0,088	-1,197	1	12
Total	100	3.370	3.000	2.791	0.957	0.334	0	12

*Groups: Group 1 - under 25% of private sources in total revenue; Group 2 - under 50%; Group 3 - under 75%; Group 4 - under 100%. M - mean; Me - median; SD - standard deviation; Sk. - skewness; Kurt. - kurtosis; Min and Max - lowest and highest values of the distribution.

Source: own elaboration.

A Kruskal-Wallis test ($\chi^2(3)=29.698$, $p<0.001$) confirmed that the size of the organization expressed in total annual revenue has an impact on the number of earning instruments they use. A pairwise comparison demonstrated that organizations with the lowest share of private sources in total revenue (Group 1 entities - under 25%) employ earning instruments to a lesser extent compared to larger entities (Groups 3 and 4). Thus, if the majority of an organization's revenue originates from private sources, it is characterized by a more entrepreneurial attitude in attracting clients/donors than those in which public funding predominates.

Table 7.

Pairwise comparison of the number of revenue-generating instruments used relative to share of private sources in total revenue

Groups *	Test statistic	Standard error	Standardized test statistic	Significance	Adjusted significance **
*1-2	-16,322	7,363	-2,217	0,027	0,160
1-3	-33,476	10,940	-3,060	0,002	0,013
1-4	-37,592	7,483	-5,024	<,001	0,000
2-3	-17,153	11,844	-1,448	0,148	0,885
2-4	-21,269	8,752	-2,430	0,015	0,091
3-4	-4,116	11,919	-,345	0,730	1,000

Each row tests null hypotheses about whether distributions for Samples 1 and 2 are the same. The table shows values for asymptotic significance (two-tailed tests). The significance level is 0.05.

*Groups: Group 1 - under 25% of private sources in total revenue; Group 2 - under 50%; Group 3 - under 75%; Group 4 - under 100%.

**Significance values for multiple tests were adjusted using the Bonferroni method.

Source: own elaboration.

To recapitulate, based on frequency analysis and Kruskal-Wallis tests, it may be stated that organizations with a higher share of private sources in total revenue tend to use more earning instruments compared to those with lower revenue; thus, Hypothesis 2 may be corroborated.

5. Conclusions

To support the pursuit of their mission in an increasingly challenging resource environment, PBOs seek different modalities of earning. The use of earning instruments such as online stores, services in the form of training and courses, membership fees, etc., are meant to complement funding from private donors (whether individuals or companies), as well as add to the public donations. Consequently, one may legitimately ask about the extent to which the largest Polish PBOs use various earning instruments to diversify their revenue.

According to the survey, the largest Polish PBOs employ, on average, 3.37 of the previously identified earning instruments. At the same time, although there are differences in the use of instruments between those entities which manage somewhere over 10 million zlotys in revenue and those which achieve several dozen or several hundred million, they are not substantial

enough to conclusively state that there is a positive relationship between the number of earning instruments used and the total revenue that the largest Polish PBOs achieve. One of the reasons is that public funding is prevalent among many of the latter. Computations made on the basis of data from PBO reports show that public funding was opted for by 71 out of 100 organizations (with public funding exceeding 99% in 14 and exceeding 90% in 32). Hence, many organizations financed from the sources of local government bodies or central state institutions do not see the need to supplement their funds with private sources (especially since this mode of raising money is anything but easy). As a result, the sheer volume of total revenue received by PBOs is not the best predictor in estimating the number of earning instruments used. A variable which reflects that relationship more effectively is the share of private sources in total revenue. When the size of an organization is taken into account (with a revenue figure in the denominator), the variable in question is also indicative of the pro-entrepreneurial attitude of an organization towards its environment. The research demonstrated statistically significant differences between the least pro-entrepreneurial PBOs among the analyzed organizations (i.e. those which raise less than 25% of their funds from private sources) and those where such an approach clearly dominates (i.e. organizations in which the share of the revenue from private sources is within 50% to 75% as well as those in which that share is in excess of 75%).

These findings indicate that for diversification of revenue, an advisable strategy for organizations which seek to increase the share of private sources in total revenue (and thus adopt a more pro-entrepreneurial model of operation) is to diversify their funding. It follows that—in the surveyed organizations—the advantages of diversification outweigh the disadvantages (referred to in the theoretical section of the article). Another likely argument in favor of the diversification strategy is that in the digital economy, maintaining multiple instruments of revenue is much cheaper than it would be in an "analog" business (e.g. online stores versus traditional outlets, organizing a fundraiser on Facebook versus traditional collection, etc.).

Resource diversification immediately involves the matter of acquiring funds through commercial activities. In this case, commercial undertakings are, on the one hand, seen as a sign of resourcefulness and entrepreneurial inclination of the organization. On the other, it is very frequently alleged that non-profit organizations become similar to their for-profit counterparts as a result. The studied PBOs were characterized by a moderate degree of entrepreneurship in this respect—revenue from business activities among some PBOs accounted for 100% of private income (not including proceeds from 1% income tax donations). Nevertheless, the average for the entire group reached 29.03%, and the share of business revenue in total revenue amounted to a similar rate of 9.22%.

The study was subject to certain limitations, the first of which was that survey spanned only the 100 largest PBOs out of more than 8,000 organizations, most of which qualified as smaller according to the adopted criteria. The characteristics of the studied group distinguish it to some extent from the entire population of PBOs. Therefore, the conducted research warrants

conclusions only with respect to the 100 largest Polish PBOs. Although this type of research (i.e. covering the 100 largest non-profit organizations in a given country) is commonly conducted (e.g. Lovejoy, Saxton 2012; Saxton, Waters, 2014; Esposito, Besana, 2018), a sample of such a limited size—dictated by statistical requirements—may distort specific conclusions.

Furthermore, the size of an organization was defined by only one parameter, i.e. the volume of total revenue. With organizations of other types (e.g. enterprises), more criteria are used to demarcate smaller entities from their larger counterparts (e.g. the number of employees). However, there were organizations in the surveyed group which, despite being classified among the 100 largest PBOs in terms of revenue, did not employ anyone on a full-time basis. There was also an organization which employed 1,948 people full-time (the only organization whose staff exceeded 1000 people). Given that only 16 organizations exceeded the 250-person threshold (i.e. the employment limit widely accepted in the European Union and in Poland to separate the SME sector from large enterprises), applying a similar criterion to the largest Polish PBOs would be inapposite. In fact, the analyzed organizations differ from commercial entities or public sector entities with regard to workforce, relying, for instance, on contracts governed by civil law or voluntary service.

Another limitation is the fact that the study focused only on the presence (number) of instruments but did not delve into their individual efficacy. The mere fact of having adopted an appropriate earning instrument does not yet determine the scale of revenue obtained from it (e.g. how much revenue is generated by an online store). The efficacy was estimated only in collective terms (i.e. by assessing how much revenue was generated from public or private sources by all instruments involved).

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