Religious Organizations: Crosscutting the Nonprofit Sector

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Abstract

Religious organizations are among the oldest and most influential institutions in the world. Within the U.S. nonprofit sector, they are more numerous than any other type of organization, receive over one-third of all charitable giving, and appear within almost every subfield. Yet, despite this overwhelming presence, relatively little is known about religious organizations in comparison to secular nonprofit organizations. The limited research on religious organizations leaves a substantial gap in our understanding of this influential field of organizations, and engaging this understudied area offers an opportunity to further our general understanding of who participates in the nonprofit sector and why. This chapter begins with a brief historical overview of research on religious organizations and assesses the roles played by sociologists of religion and organizational scholars in advancing this field of research. Against the backdrop of three prominent organizational theories, the chapter proceeds to describe a wide array of religious organizations demonstrating their active presence across several domains of the nonprofit sector. Following this section, the chapter defines the major types of religious organizations and assesses variation in their levels of religiosity. The next section specifies the special legal protections of religious organizations, especially congregations, and examines the implications of these protections for financial reporting and engaging in political activity. Following an assessment of religious organizations’ distinct legal status, the chapter examines differences among religious organizations and compares their characteristics with those of secular organizations. The chapter concludes by identifying emerging hybrid forms of religious organizations, which embody both religious and secular characteristics and pursue both nonprofit and for-profit aims, as strategic sites for future research to advance understanding of both religious and secular organizations as well as broader developments within the nonprofit sector as a whole.
Social scientists have long been interested in religion—its origins, individual beliefs and practices, and social organization. Research on the social organization of religion eventually led to examinations of religious organizations themselves. Weber ([1924] 1978) used the concepts of bureaucratization and rationalization to describe the process by which religious movements become formal religious organizations, and he introduced the church-sect distinction ([1906] 1985). Troeltsch ([1912] 1992) and Niebuhr (1929) further developed the church-sect paradigm to characterize the recursive process by which new religious movements (sects) emerge and gradually transform into established religious organizations (churches). Churches, however, can develop factions that leave to form new religious movements, which themselves eventually become their own formal organizations. This cycle of exponential differentiation helps to explain the tremendous variety within the major religious traditions (Finke & Stark, 1992). Although the church-sect paradigm has varied interpretations and several critics, it remains widely recognized as a foundational organizational theory of religion (Goldstein, 2011; Hinings & Raynard, 2014).

Despite the prominence of the church-sect theory, the scope of its application has never expanded beyond the field of religious organizations. Likewise, despite the social significance of religious organizations, relatively few nonprofit scholars (Bielefeld & Cleveland, 2013a) and even fewer organizational scholars in general select them as their object of analysis (Tracey, 2012). Although Weber played a prominent role in launching both the sociology of religion and organizational sociology (Weber, [1924] 1978, [1947] 2009), the two fields have developed largely independently. Lacking both attention and interconnection, theorizing about religious organizations, especially non-congregations, has been stunted.
Following the rise of secularization theory in the 1960s, research on religious organizations and religion in general experienced a lull (C. Smith et al., 2013). Observing that modernity was undermining religious authority and convinced that religion was becoming obsolete, many social scientists shifted their attention to other fields of inquiry and left the study of religion to theologians (C. Smith, 2017). Subsequently, future cohorts of social scientists were discouraged from studying religion and few data on religion were generated (C. Smith, 2008). However, as secularization failed to spread throughout the modern world as predicted, and as evidence for the ongoing social significance of religion continued to accumulate, interest in religion and religious organizations among social scientists began to revive in the late 1980s (C. Smith, 2008).

However, during the lull, ties between the sociology of religion and organizational scholarship attenuated. Indeed, the first edition of this handbook (W. W. Powell, 1987) did not include a chapter on religious organizations, and the role of religion in the nonprofit sector in general received minimal attention (Wood, 1989; see also DiMaggio and Anheier 1990). Initial efforts to reestablish and strengthen connections between these two fields came primarily from sociologists of religion as, for reasons that are not well understood, organizational scholars remained relatively uninterested in examining religious organizations (Tracey, 2012). The most significant effort to interconnect the fields culminated in the book Sacred Companies: Organizational Aspects of Religion and Religious Aspects of Organizations, edited by Demerath et al. (1998). Although this volume was intended to be a clarion call to bridge the two fields, its predominant audience seems to have been sociologists of religion. Coinciding with the publication of Sacred Companies was a steady increase in the number of articles examining religious organizations (Scheitle & Dougherty, 2008). While interest in the study of religious organizations was growing among sociologists of religion at the turn of the millennium, the interest was not reciprocated among organizational scholars. Despite DiMaggio’s (1998)
assertion that organizational scholars have much to learn from research on organized religion, neither *Sacred Companies* nor its general call received much attention from the broader field of organizational studies. Tracey (2012) speculates that organizational scholars’ neglect of religion might be due to the sensitivity of the topic or because religious organizations appear too far removed from commercial organizations, which are the primary empirical focus of organizational scholars’ research.

In recent years, sociologists of religion have once again revived appeals to strengthen the field’s intellectual ties with organizational scholarship. Scheitle and Dougherty (2008) note the increasing research on religious organizations and cite several studies that apply various organizational theories. However, even though sociology of religion scholars have begun incorporating a broader repertoire of organizational theories into their research, they rarely claim that their findings apply to the broader field of organizational sociology (for exceptions see Braunstein et al., 2014; Chaves, 1996; Chaves & Sutton, 2004; Fulton, 2018; Wilde et al., 2010). As a result, such research tends to be published exclusively in sociology of religion journals, making it less likely to be read and cited by organizational scholars who study fields other than religion.

Only within the last few years have some organizational scholars noted their field’s dearth of research occurring at the intersection of religion and organizations. Tracey (2012) observes that the organizational literature rarely analyzes religious organizations and that little is known about the similarities and differences between religious and secular organizations. Tracey et al. (2014) assert that organizational scholars have largely ignored religion in their study of organizations, neglecting both the study of religious organizations and the examination of religion in secular organizations. As a comparison, while the number of organization-focused articles published in sociology of religion journals has been increasing steadily since the 1960s
(Scheitle & Dougherty, 2008), a review of every article published in every issue of 21 of the predominant management journals finds only 86 articles that engage the topic of religion (Tracey, 2012). In an attempt to explain the minimal number of articles in management journals that address religion, Tracey et al. (2014) suggest that many organizational scholars are reluctant to write papers focused on religion because 1) they are skeptical that management journals will publish such papers, 2) research on religious organizations is not aligned with the teaching focus of business schools, or 3) they feel that religion is a personal matter and not an appropriate topic for academic research. Despite these explanations, Tracey and his co-authors assert that most of organizational scholars’ reasons for overlooking religion are generally misplaced. They note that religion continues to play a prominent and significant role in practically every society, thus making it worthy of scholarly inquiry.

Hinings and Raynard (2014) also cite this gap in the literature and call for renewed attention to a comparative cross-sector approach in organizational research, one that explicitly includes religious organizations. Similarly, Chan-Serafin et al. (2013) observe that most organizational scholars have side-stepped the issue of religion, and the authors assert the need to rigorously engage the topic. Furthermore, the journal Research in the Sociology of Organizations devoted an entire volume to research on religion and organization theory (Tracey et al., 2014). As more sociologists of religion and organizational scholars seek to bridge their respective fields and pursue greater integration of the two literatures, novel insights are bound to emerge. Not only can research on religious organizations benefit from the theories developed by organizational scholars, but also research on religion and religious organizations can in turn help to advance organizational theory. Furthermore, such research can enhance our understanding of religion’s role in shaping the nonprofit sector and sustaining voluntary activity.

**Religious Organizations and Organizational Theory**
Noting the relative dearth of research occurring at the intersection of religion and organizations, this section examines three prominent organizational theories: organizational identity, organizational culture, and institutional theory. By describing their relevance and application to a wide array of religious organizations, this section demonstrates how organizational theories can be advanced through examining religious organizations. In doing so, it also illustrates the myriad types of religious organizations whose activities extend beyond religion and engage several domains of the nonprofit sector including immigrant rights advocacy, microfinance, higher education, and environmental activism.

**Organizational Identity**

The concept of organizational identity is prominent within organizational research, and its relevance and significance to the study of religious organizations cannot be overstated. The identity of a religious organization is central to its existence and purpose. An organization’s identity is based on the characteristics that are both projected and perceived as being central, enduring, and distinct to the organization (Albert & Whetten, 1985). Because claims on an organization’s identity can come from multiple sources, an organization can have multiple, often competing and/or contradicting identities (Pratt & Foreman, 2000). Religious organizations typically have a diverse array of constituents, stakeholders, and critics, and these organizations often must compete with each other and their secular counterparts. Consequently, religious organizations face unique and significant challenges in establishing organizational identities that appeal to their diverse audiences and enable them to maintain their competitive advantage.

An organization’s projected and perceived identity is shaped by its objective features, the subjective experiences of its participants, and its surrounding environment (He & Brown, 2013). Among religious organizations, the identity-shaping process is complicated by each organization’s need to manage both a religious identity and an identity related to its functional
purpose, which is often not explicitly religious. Consequently, religious organizations must often determine the extent to which they claim religion as part of their identity. Some religious organizations, especially fundamentalists, emphasize their religious identity to appeal to their base and distinguish themselves from their secular or less religious competitors (Emerson & Hartman, 2006). In contrast, other religious organizations, often NGOs, downplay their religious roots because they believe that their affiliations with religion may impede their ability to accomplish their objectives (Berger, 2003).

As an organization’s religious identity and functional identity compete with each other for prominence, on occasion one identity must surrender to the other. For example, over time the Young Men’s Christian Association adopted its acronym “YMCA” as its primary identity, and in 2010 decided to refer to itself simply as the “Y,” effectively masking its association with Christianity. Interestingly though, the Y remains registered with the Internal Revenue Service (IRS) as a religious organization. In contrast, most of the general public perceives the Y to be a secular health and fitness center. To further complicate this case, local Y chapters operate with a high level of autonomy and vary tremendously in the extent to which they emphasize their Christian identity. The degree to which Christianity is explicitly highlighted within these chapters depends on the priorities and orientations of the chapter’s executive director, board members, and surrounding community (Herzog, 2016). As this example highlights, given religious organizations’ often-complex structural arrangements, competing priorities, diverse stakeholders, and varied surrounding environments, they provide excellent cases for examining differences between an organization’s projected and perceived identity as well as the relationship between those identities—topics that continue to be debated among organizational theorists (Brown et al., 2006; Ravasi, 2016).
Research on organizational identity formation can also help explain how religious organizations develop an identity that enables them to engage and retain a socially diverse base of participants. For example, Gioia et al. (2010) analyze a new organization with a diverse group of constituents as it forges its identity, finding that the organization moves through a sequential four-stage process to ultimately converge on a consensual identity. They also identify recurrent processes, such as negotiating identity claims and assimilating legitimizing feedback, that cross-cut the stages and can disrupt or facilitate identity consensus. If an organization regularly runs aground when negotiating claims between competing identities, it can struggle to coalesce around a consensual identity. On the other hand, if an organization can effectively generate and incorporate legitimizing feedback from external stakeholders, this practice can bolster the organization’s efforts to forge a consensual identity. Such research, which highlights the interaction between internal resources and external influences in the identity formation and transformation process, is critical for understanding how religious organizations form and transform their identity (Gioia et al., 2013).

Recent research applies organizational identity theories to the Episcopal Church and the identity transformation it is experiencing in the wake of electing its first openly gay bishop (Kreiner et al., 2015). This decision has generated both harsh criticism and exuberant praise from the denomination’s members as they concurrently seek to change and preserve their organization’s identity. The authors use the case of the church’s “identity crisis” to refine the concept of organizational identity work, the processes by which participants transform an organization’s identity (Sveningsson & Alvesson, 2003). In doing so, the authors develop the construct of identity elasticity—tensions that simultaneously stretch and hold together social constructions of identity—to explain how an organization’s identity is a product of ongoing dialectic tensions that both stretch and strengthen it. This concept of identity elasticity,
developed through research on a religious organization, also advances understanding of identity change processes within organizations in general.

Although organizational identity has become a core component of organization theory, relatively few examinations of religious organizations use an organizational identity framing (Tracey, 2012). Given that new religious organizations are often involved in developing distinct organizational identities, and that many longstanding religious organizations have strong and enduring identities while others are undergoing significant identity transformations, religious organizations provide a rich empirical context in which to study the formation, maintenance, and transformation of organizational identities.

**Organizational Culture**

Closely related to but distinct from organizational identity is organizational culture (Whetten, 2006). Early research on organizational culture focused on an organization’s values, norms, and practices, and tended to be oriented around three major perspectives: integration, differentiation, and fragmentation (Alvesson, 2012; Martin & Frost, 2011; Schein, 2010). Integration focuses on efforts to create a unified organizational culture, differentiation focuses on the dynamics of competing subcultures within an organization, and fragmentation focuses on the ambiguities, contradictions, and paradoxes found within most organizational cultures.

A recent development in organizational culture research draws from sociological analyses of groups and focuses on the patterns, styles, and modes of interaction between group participants (Fine, 2012). Building on the concept of inhabited institutions, this research reveals how the culture of an organization is developed through the interactions of its members (Fine & Hallett, 2014). For example, examinations of socially diverse organizations reveal the variety of competing cultures they contain and illustrate how interactions among members from diverse backgrounds shape the organizations’ distinctly intersectional cultures (Walker & Stepick, 2014).
Such meso-level analyses, which examine aggregations of people characterized by a shared place and social network, are well suited for research on the complex organizational cultures found among many religious organizations.

Although many religious organizations are noted for being socially homogenous, some are actively seeking to become more diverse along multiple social dimensions (Edwards et al., 2013). However, their often entrenched organizational cultures related to gender, race, and class can hinder advances with respect to diversity. For example, an analysis of evangelical parachurch organizations reveals that although they espouse egalitarian views on gender, traditional gender norms persist within the organizations and adversely affect female employees’ fundraising efforts and leadership prospects (Perry, 2013). Research on multiracial congregations indicates that, despite their racial diversity, such congregations often need to privilege white members’ religiocultural preferences in order to maintain these members’ involvement (Edwards, 2008). Leondar-Wright (2014) shows how leaders’ inability to understand and bridge different class cultures within class-diverse, faith-based organizations can undermine their capacity to address common organizational problems.

Despite the challenges of forming an inclusive and cohesive organizational culture within socially diverse religious organizations, recent research illustrates how religion can be used to bridge social difference. A study of faith-based community organizing organizations indicate that religious practices, such as collective prayer, can function as bridging cultural practices to help such organizations foster bonds across racial and socioeconomic differences (Braunstein et al., 2014). Another study demonstrates how drawing on cultural elements of religion can help civil society organizations promote democratic engagement (Fulton & Wood, 2018). Related research on cultures of interaction among faith-based housing advocates offers insight into how an organization’s group style can influence its ability to involve a diverse base of constituents.
Group styles are routine ways of talking and acting that shape the everyday interactions of a set of people. This cultural-interactionist framework highlights the importance of creating an inclusive group culture within which all parties in a diverse organization feel comfortable and represented (Leondar-Wright, 2014; Lichterman, 1995).

A recent study of faith-based immigrant rights organizations extends this line of research by analyzing how an organization’s group style influences constituent involvement (Yukich et al., 2016). This study examines the conditions that produce substantial organizational involvement across lines of difference and finds that having a representative group style (i.e., a style that incorporates preferred practices of the full spectrum of constituents an organization seeks to involve) can enable organizations to achieve and sustain greater levels of social diversity. Such research leverages the complex internal dynamics of religious organizations to better understand an organization’s culture and how it influences participants’ involvement. The insights generated in such studies have relevance beyond religious organizations and can be applied to any organization that aspires to be more socially diverse.

**Institutional Theory**

Institutional theory, which focuses on how institutional environments shape organizations’ structures and practices, provides another broad framework for sociologists of religion and organizational scholars to examine religious organizations (Meyer & Rowan, 1977). To date, scholars’ use of this theoretical framework to analyze religious organizations has been limited (Tracey, 2012). Among the relatively few examples is a study that examines the diffusion of organizational innovation among Christian denominations with respect to the practice of ordaining women (Chaves, 1996). Another study demonstrates how concerns about institutional legitimacy influenced the votes of leaders who participated in the Second Vatican Council.
A third study illustrates how isomorphic pressures can influence black congregations’ likelihood of sponsoring HIV/AIDS programs (Fulton, 2011). While these sociologists of religion have used institutional theory to better understand religious organizations, rarely have religious organizations been used to further develop institutional theory.

Recent developments in institutional theory, specifically related to institutional logics and institutional work, are particularly relevant to research on religious organizations (Gümüşay, 2017). Institutional logics are systems of cultural elements and practices by which individuals and organizations structure their activity and provide meaning (Thornton & Ocasio, 1999). Although religion is recognized as a core societal institution with an associated logic (Friedland & Alford, 1991), organizational scholars rarely incorporate the logic of religion into their analysis of secular organizations. Similarly, research on religious organizations rarely incorporates the other core logics (e.g., the state, market, professions, and community) (Tracey, 2012). It was not until scholars decoupled logics from their corresponding institutional orders that analyses of secular organization began to include the logic of religion and that analyses of religious organizations began to incorporate the other core logics (Thornton et al., 2012).

Indeed, among the core societal institutions defined by institutional logics, religion is the least examined by organizational scholars, and among the core logics, the logic of religion is the least utilized (Tracey et al., 2014). While these metrics suggest a general bias against religion among organizational scholars, they also reveal gaps in the literature waiting to be filled. Engaging the logic of religion would help equalize the range of logics examined and provide opportunities to demonstrate compatibility between logics.

Religious organizations also provide fertile terrain for understanding how organizations leverage complementing logics and negotiate competing logics. Recent research demonstrates how the different forms of religious organizations incorporate the logic of religion and combine
it with other logics. For example, religious universities seeking to compete athletically with secular universities confront competing logics in defining success as an organization based on religious mission, educational commitments, and athletic ambitions (Nite et al., 2013). Similarly, Islamic banks face the oppositional logics of Islamic religion and the market. The opposing logics can influence the banks’ hiring practices (Boone & Özcan, 2016) and lead to innovative adaptations such as microfinance programs that target families and incorporate religious work incentives (Gümüşay, 2015). In another example, faith-based humanitarian organizations that are headquartered in the U.S. and provide services in other countries encounter distinct institutional logics that span multiple societal contexts and involve actors from different institutional domains (Burchardt, 2013). The new meanings and practices emerging at the interface of the distinct institutional logics can influence an organization’s form, dynamics, and performance. Similarly, interfaith social change organizations involved in the religious-environmental movement employ a strategic combination of moral, communal, and economic logics when encouraging faith communities to adopt energy-saving technologies and behaviors (Biscotti & Biggart, 2014).

Examining the logic of religion and its intersection with other logics is critical for understanding religious organizations that are engaged with broader aspects of society. In addition, understanding how religious organizations manage competing logics and respond to pressures from secular organizations could help advance scholarship on the contemporary issues of institutional complexity and pluralism (Greenwood et al., 2011). Overall, the logic of religion merits more attention from scholars. Such research could help to advance institutional theory by creating more opportunities to explore compatibilities between logics.

Institutional work, which examines how individual and organizational actors affect institutions, is another strand of institutional theory with relevance for religious organizations (Lawrence & Suddaby, 2006). Most institutional approaches to understanding organizations
focus on the convergence and reproduction of organizational norms and practices, rather than on efforts to resist isomorphic pressures (Battilana & D’aunno, 2009). A growing literature on institutional work, however, has been filling this gap by highlighting the role of individuals and organizations in creating, maintaining, and disrupting institutions (Lawrence and Suddaby 2006; Lawrence, Suddaby, and Leca 2009; Lawrence, Leca, and Zilber 2013). Research that applies an institutional work lens to its examination of religious organizations has helped to explain the emergence of new organizational forms, the maintenance of precarious inter-institutional arrangements, and the disruption of organizational fields.

Studies on the Emerging Church, a nascent Christian movement known for its anti-institutional orientation, explain how the affiliated organizations engage in institutional work to resist normative pressures that value reliance on formally trained and credentialed professionals (Marti & Ganiel, 2014; Packard, 2011). Some of these organizations resist institutionalization by adopting an inverted labor structure; they fill full-time positions with layworkers and employ religious professionals on a part-time basis. This practice leverages the intimate knowledge homegrown leaders possess and reduces opportunities for religious professionals to implement institutional processes. Other research examines the challenges evangelical Christian colleges face in straddling the institutional fields of conservative theology and higher education, which exert conflicting pressures (Taylor, 2015). Taylor’s analysis reveals how some of these colleges successfully navigate this tension and maintain viability by engaging in creative institutional work that succeeds in appeasing one set of stakeholders without alienating another (Taylor, 2015). A study of the religious organization The Fellowship—a low-profile prayer group for government, corporate, and religious elites—describes how the organization combines institutional and anti-institutional elements to resist the push to bureaucratization (Lindsay, 2010). This intentional organizing strategy enables The Fellowship to locate itself at the
interstices of multiple domains, which allows it to draw from multiple resource streams and maintain a desired level of anonymity. Each of these examples illustrate the utility and promise of incorporating an institutional work framework to better understand the role actors play in shaping religious institutions.

The myriad types of religious organizations mentioned above highlight their broad range and presence within almost every domain of the nonprofit sector. As a field, religious organizations offer a variety of contexts that exhibit both similarities and differences with their secular counterparts, and by applying organizational theories to the novel contexts of religious organizations may help to further refine these theoretical constructs. Sociologists of religion’s minimal contributions to organizational theory and organizational scholars’ minimal engagement with religious organizations have limited knowledge about the dynamics of religious organizations and their relevance to other kinds of organizations. In recent years, however, both fields have revived appeals to advance research occurring at the intersection of religion and organizations. Such research promises to increase the relevance and scope of organizational theory as well as our understanding of religious organizations and their broad role in the nonprofit sector.

**The Field of Religious Organizations**

Advancing research on religious organizations requires a clear definition of the field, but achieving such clarity has vexed scholars for decades (Jeavons, 1998). Most scholars agree on the general boundary demarcating secular and religious organizations: secular organizations have no explicit affiliation with religion, while religious organizations declare some such affiliation (Bielefeld & Cleveland, 2013a). On the margins are organizations like Chick-Fil-A and Hobby Lobby, which are for-profit entities that provide secular products and services but whose owners are outspoken about their personal faith and infuse religious beliefs into their organization’s operations (Chan-Serafin et al., 2013). Similarly marginal are organizations like the American
Humanist Association that reject belief in the supernatural but resemble religious organizations in many ways such as having chaplains, hosting weekly gatherings, and performing life-cycle ceremonies such as weddings and funerals (Cimino & Smith, 2014).

Despite the general agreement on the distinction between secular and religious organizations, scholars disagree on how to define, demarcate, and designate subsets of religious organizations. Most scholars recognize congregations as a distinct subset, commonly defining them as local organizations (e.g., churches, synagogues, mosques, and temples) whose primary purpose is to facilitate regular corporate religious worship among their adherents (Cnaan & Curtis, 2013). Even religious traditions that are typically not organized as congregations in most parts of the world (e.g., Buddhism, Hinduism, and Sikhism) tend to adopt a congregational form when operating in the U.S. (Warner, 1993, 1994).

Beyond congregations, however, the differentiations and designations of religious organizations become murky (for examples see Bielefeld & Cleveland, 2013a; Chaves, 2002; Ebaugh et al., 2006; Jeavons, 2004; Scheitle, 2010; Torry, 2017). Importantly, although every congregation is a religious organization, not every religious organization is a congregation. For conceptual simplicity and analytical clarity, this chapter divides the field of religious organizations into two major subcategories—congregations and faith-based organizations (FBOs). The FBO subcategory includes any organization, apart from congregations, for which religion is a part of its identity. This subcategory includes: 1) organizations directly affiliated with congregations (e.g., denominational offices, councils of churches, mission agencies); 2) organizations focused primarily on promoting religious beliefs and practices (e.g., community prayer groups, prison ministries, religious media producers), which are sometimes referred to as parachurch organizations (Scheitle & McCarthy, 2018); and 3) organizations that are faith-based,
but whose core activity is something other than explicitly promoting religion (e.g., education, healthcare, self-help, advocacy, community development).

Crosscutting the broad range of activities in which FBOs engage is the wide variation in their levels of religiosity. The religiosity of an organization is the extent to which religion is a part of its identity, affiliations, and activities, ranging from being deeply infused with religion to exhibiting only its vestiges. Characteristics used to assess an FBO’s religiosity include its mission statement; sources of funding and affiliations with specific religious traditions; the religious commitments of its board, staff, and volunteers; and the amount of religion referenced in its facilities, materials, programs, and goals (Bielefeld & Cleveland, 2013a; Ebaugh et al., 2006; Fu et al., 2017; Jeavons, 1998; Monsma, 2009; Sider & Unruh, 2004; S. R. Smith & Sosin, 2001). Some scholars note, however, that these characteristics tend to be more relevant and observable among Christian organizations, and thus focusing on these metrics can hinder researchers’ ability to assess the religiosity of organizations based in other religious traditions (Bielefeld & Cleveland, 2013a; Hugen & Venema, 2009; Jeavons, 2004; Netting et al., 2006; Schneider & Wittberg, 2011). Furthermore, these measures can fail to uncover religious beliefs and motivations that are not explicitly stated but deeply influence an organization’s activity (Cameron, 2004).

Although scholars may differ on how to best assess the religiosity of FBOs, the U.S. government views all religious organizations equivalently under the religion clauses of the First Amendment. This status imparts both challenges and benefits. Compared to secular organizations, religious organizations are less able to procure federal funding to provide social services, but they are also exempt from laws pertaining to employment and healthcare benefits that impose on their religious beliefs (Bielefeld & Cleveland, 2013b). While the constitutional non-establishment and religious freedom laws apply to all religious organizations, the IRS grants
special privileges and exemptions that apply only to congregations (and select associated entities such as integrated auxiliaries, associations of congregations, and affiliates of congregations). Notably, congregations are not required to register with the IRS; they are automatically presumed to be tax exempt, their contributors’ donations are tax deductible, and they need not file annual tax returns nor report their financial activity (Hopkins, 2016). With this distinct status, congregations in the U.S. come closest to achieving the ideal type of an independent sector organization by operating with the greatest amount of autonomy compared to all other types of nonprofit organizations. FBOs, on the other hand, receive no special privileges and exemptions from the IRS beyond the general exemptions that other (secular) nonprofit organizations enjoy.

Despite the special status granted to congregations, government entities (e.g., the courts, legislatures, and agencies) have generally avoided specifying what constitutes a congregation (Hopkins & Middlebrook, 2008). The IRS indicates that the term “church” includes any organization claiming to be a church, association of churches, or integrated auxiliary (U.S. Department of the Treasury 2015). Although the IRS does have a list of criteria it uses to assess whether an organization qualifies as a church, these criteria are only guidelines and organizations claiming church status are not required to fulfill them. In effect, if an organization declares itself to be a church, it will be treated as such by the IRS and enjoy all of the associated special privileges and exemptions (assuming that the organization does not violate the other conditions of exempt status such as distributing net earnings to individuals or shareholders and campaigning for or against political candidates).

Given the lack of restrictions on qualifying as a church, it is not surprising that a nontrivial number of FBOs claim church status. In a 2010 study that analyzed 2,000 of the largest Christian nonprofit organizations (excluding traditional churches), approximately 6
percent claimed church status (Scheitle, 2010). Notably, this statistic under-estimates the actual percentage of FBOs claiming church status, because it does not include non-Christian organizations, smaller organizations, or, problematically, organizations that have not registered with the IRS because they are not required to due to their church status.

In general, the IRS is fairly lenient in its acceptance of organizations that claim to be churches. For example, in 2005 the IRS allowed the religious organization Young Life, which is generally viewed as a parachurch organization, to be recognized as a church (Bostwick, 2007; Scheitle, 2010). However, because Young Life is already registered with the IRS and continues to file annual returns, it is unclear what the organization gains (from a legal perspective) by claiming church status. Campus Crusade for Christ, another large parachurch organization claiming church status, does not file annual returns (GuideStar, 2018a). However, its annual reports, which are audited by independent certified public accountants, are publicly available. The Christian relief organization World Vision International also claims church status and follows a similar reporting model (GuideStar, 2018b). Despite the transparency of these particular organizations, evidence suggests that at least some organizations claim church status partly in order to avoid being required to disclose their financial activity (Barbee, 2004; Barnes, 2014; Charity Navigator, 2018).

Church status also exempts organizations’ “ministers” (i.e., staff who perform ministerial services) from paying self-employment, social security, and Medicare taxes, and allows them to exclude housing expenses from their taxable income via the ministers’ housing allowance (U.S. Department of the Treasury 2017). Furthermore, if efforts succeed in repealing the Johnson Amendment—a law that prohibits 501c3 nonprofit organizations (including congregations) from endorsing and financially supporting political candidates—some FBOs may be more inclined to claim church status. Repealing the Johnson Amendment would effectively make contributions to
political candidates (via 501c3s) tax deductible, and such contributions via congregations would not be subject to the IRS reporting requirements, further incentivizing church status claims.

**Religious Differences among Religious Organizations**

In the U.S., the percentage of people identifying as Christian is declining, while the percentage of people who are religiously unaffiliated or affiliated with a non-Christian religious tradition is increasing (Johnson & Grim, 2013; Pew Research Center, 2015). Similarly, the number of non-Christian congregations in the U.S. is also growing (Grammich et al., 2012). Despite the increasing religious diversity in the U.S., the IRS continues to exhibit a Christian-centric orientation. Its policies and documents use the term “church” to refer to congregations of any religious tradition, although the term’s use is typically limited to Christian congregations. Likewise, the IRS often uses the term “minister” when referencing the leaders of congregations, yet only Protestant Christian congregations use that term to refer to their leaders.

Extensive research examines differences between religious traditions (H. Smith & Marranca, 2009), but relatively little research has examined differences between the religious traditions’ respective congregations (Dyck et al., 2005), and still fewer studies have examined differences among FBOs with regard to the religious traditions in which they are grounded (Fulton, 2017; Netting et al., 2006). In fact, most research on FBOs has been limited to Christian-based organizations (Torry, 2017). Given the substantial interest in the role of religion in FBOs (Hugen & Venema, 2009) and the variety of religious traditions represented in the faith-based sector (Fulton & Wood, 2017), examining differences across organizations with disparate religious affiliations is an important area for future research.

**Differences between Faith-Based and Secular Nonprofit Organizations**

Even though FBOs operate alongside secular counterparts in several domains of the nonprofit sector, research comparing faith-based and secular nonprofits is limited primarily to
organizations in the human services domain, assessing the quality, characteristics, and types of services they provide. While no study has systematically compared the functioning and effectiveness of FBOs with those of secular organizations, comparisons across specific types of programs indicate that faith-based nonprofits tend to provide equivalent or superior services compared to their secular counterparts (Bielefeld & Cleveland, 2013b). The comparisons include examinations of prisoner reform programs (LaVigne et al., 2007), international development organizations (Clarke & Ware, 2015), nursing homes (Amirkhanyan et al., 2008), refugee resettlement agencies (Eby et al., 2011), and poverty relief programs (Kissane, 2008).

Although faith-based and secular human service organizations have similar functional characteristics with regard to the services they provide, many FBOs have additional features that facilitate service provision, such as clergy referral systems (Yamada et al., 2012), spiritual intervention methods (Hodge, 2011), broad social support systems (Levin, 2014; Wong et al., 2018), and a large volunteer base (Leviton et al., 2006). Faith-based nonprofits, however, address fewer types of needs (Graddy, 2006) and offer a narrower range of services (Clerkin & Grønbjerg, 2007) than secular nonprofits. Recognizing the often complementary strengths of faith-based and secular nonprofits, it is common for such organizations to collaborate in providing services (Ebaugh et al., 2007; Fulton, 2016a). These collaborations enable the respective organizations to leverage their assets to more effectively accomplish their shared goals.

**Similarities between Faith-Based and Secular Nonprofit Organizations**

Almost every domain of the nonprofit sector has a distinct faith-based (often Christian) organizational presence, ranging from Christian media companies and faith-based prisons to “creation care” environmental movements and Christian biker clubs. These organizations often operate in similar spheres as their secular counterparts, either in cooperation or direct
Likewise, they face similar operational, management, and personnel concerns and are subjected to the same legal requirements. Despite FBOs religious basis, these organizations tend to mimic the form and practices of their secular counterparts (Hinings & Raynard, 2014). Indeed, in most arenas, faith-based and secular nonprofits tend to be much more similar than different. This resemblance, however, has not always been the norm. Historically, the secular conception of organization was viewed as profaning the sacred nature of religion (Beckford, 1985). Following the widespread onset of secularization, however, the line between the sacred and the secular among religious organizations has been blurred substantially (Chaves, 1993). The distinctiveness of religious organizations is being eclipsed by expectations that they perform like secular organizations (Hinings & Raynard, 2014).

All organizations face pressures to adopt legitimate forms and practices, and because many board members of nonprofit organizations (faith-based and secular) work in the for-profit sector, they bring templates for how effective organizations should look and function. These templates, although often secular in their origins, are embraced equally by faith-based and secular nonprofits (Hinings & Raynard, 2014). Likewise, religious and secular organizations encounter similar challenges related to scaling activities, managing resource flows, and sustaining a stable base of volunteers. While having an affiliation with religion distinguishes faith-based nonprofits from their secular counterparts, both types of organizations face common institutional pressures and organizational challenges, which make them similar in many ways. Given that faith-based and secular nonprofits operate alongside each other in many of the same subfields and that they possess sufficient similarities as organizations, comparative analyses of such organizations is likely to advance understanding of both types of organizations as well as the nonprofit sector in general.

**Hybridity among Religious Organizations**
To illustrate the promise and prospects of integrating organizational scholarship with research on religious organizations to advance our understanding of the nonprofit sector, this chapter concludes with a discussion of hybridity and hybrid organizational forms. Hybridity refers to the phenomena of disparate elements being combined to form distinct entities. Hybrid organizations are those that combine elements from multiple institutional domains to create novel organizational forms that both span institutional boundaries (Jay, 2013) and operate in multiple domains (Ruef, 2000). Some scholars assert that the entire nonprofit sector is a collection of hybrid organizations that variously combine elements of the market, state, and community domains (Brandsen et al., 2005). While many nonprofit scholars tend to employ the concept of hybridity merely as a descriptor of blended organizational forms, some scholars have begun to theorize how hybrid forms emerge (Skelcher & Smith, 2015). Institutional theory, specifically institutional logics, provides a helpful theoretical foundation for explaining the emergence of hybrid organizations (Pache & Santos, 2013). Scholars claim that hybrid organizational forms develop in contexts of overlapping institutional domains (Skelcher & Smith, 2015). The plurality of institutional logics prompts the creation of novel organizational forms that can accommodate the competing and contradicting logics, and the various combinations of logics can produce a variety of hybrid forms.

The nonprofit sector is particularly suited for developing theories of hybridization, because nonprofit organizations often operate under a plurality of logics (Pache & Santos, 2013). They respond to these multiple logics by adapting their organizational forms to accommodate their embedded position in multiple institutional domains (Kraatz & Block, 2008). An early example of research on hybridity in the nonprofit sector examines the development of the service/advocacy organizational form, which integrates political advocacy with service provision in response to institutional pressures and the goal of strategic expedience (Minkoff, 2002; see
also Fulton, 2016b). More recently, social enterprise organizations, which straddle community and market domains, emerged in response to competing institutional pressures to meet social needs and be financially self-sustaining (Doherty et al., 2014; Gidron & Hasenfeld, 2012).

Religious organizations offer an even richer context for theorizing about hybrids, because religion itself is a core institutional domain (Torry, 2012). Consequently, by definition, most religious organizations reside at the intersection of more than one logic, and thus can provide excellent cases for examining the mechanisms underlying the formation and sustainability of hybrid organizations. Faith-based philanthropy is one arena in which elements from multiple institutional logics can be combined to create innovative organizational forms and leveraged to accomplish organizational objectives. For example, the Israel bond project, which solicits gift investments from the Jewish-American diaspora, combines elements of the market, state, community, and religion domains to create a program for generating financial resources that overcomes limitations associated with transnational bond markets and conventional philanthropy (Lainer-Vos, 2012). Another example relates to the professionalization of the nonprofit sector (Hwang & Powell, 2009) and the emergence of hybrid professions among religious organizations (Torry, 2017). As congregations adopt business-like models and require greater managerial oversight, the position of executive pastor (i.e., the congregation’s chief operating officer) has emerged and grown in prominence (D. Powell, 2009). This development has altered the training and credentialing expectations of religious leaders such that many seminaries and divinity schools have begun offering management courses (Cornwell, 2017) and some nonprofit management programs are marketing to religious professionals (Ebrahim, 2012). Similarly, many of the leadership skills needed to lead FBOs are more likely to be obtained from a public affairs or business school than a seminary or divinity school (Torry, 2014). Finally, social entrepreneurial activity is becoming more prevalent among religious organizations and
individuals acting on their religious beliefs (Spear, 2010). Some religious organizations form social enterprises that sell secular products and services in order to fund their charity work (Starling, 2010). Other faith-based social enterprises have been established to help start congregations and supplement the salaries of bi-vocational pastors (Picardo, 2015) or to partner with government agencies to support community development initiatives (Fitzgerald, 2009).

Despite the increased involvement among religious organizations and individuals, the relationship between religion and social entrepreneurship remains under-examined (Tracey, 2012). Analyzing this relationship could reveal more about why certain organizations and individuals engage in social entrepreneurial activity. More broadly, including religion and religious organizations in research on hybridity can help scholars better understand who is innovating in the nonprofit sector and why particular hybrid organizational forms emerge.

**Conclusion**

Defying the predictions of secularization theory, religious organizations remain an integral aspect of contemporary society. Congregations continue to be the most ubiquitous voluntary organization in the U.S., and FBOs maintain a strong presence in nearly every domain of the nonprofit sector. Many religious organizations have exhibited shifting identities, cultures, and logics, often in response to broader social changes and pressures, and some have taken on new hybrid forms incorporating corporate-style management structures and social entrepreneurship. Consequently, the limited research on religious organizations leaves a substantial gap in our understanding of the nonprofit sector. Pursuing such research can broaden our understanding of who participates in the sector and how different types of organizations define, run, and adapt themselves in a changing social climate and complex institutional environment.
Notes to Chapter 27

1 In 2017, the U.S. District Court for the Western District of Wisconsin declared the ministers’ housing allowance unconstitutional (Gaylor v. Mnuchin, No. 16-cv-215). As of this chapter going to press, the court’s decision on this case remains under appeal.
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