Exploring Change in Institutionalized Practices in Difficult Times: United Way Adoption of Competitive Funding

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For over one hundred years, local United Ways have played a key role in supporting the health and human service nonprofit sector in American communities. In 2009, United Ways find themselves facing environmental challenges in the New Economy, such as increased competition from other professional fundraisers, the deindustrialization and globalization of local economies, and changing nature of donor expectations, challenges that are exacerbated by the current global economic downturn. At the same time that local United Ways find it increasingly difficult to raise resources, societal reliance upon private philanthropic giving continues to increase; a trend exacerbated by the current economic crisis. The result is a perfect storm for the United Way paradigm and its interaction with philanthropic communities—community philanthropies find themselves facing: 1) increasing skepticism about their ability to address community needs, 2) greater expectations to respond to these needs, and 3) a more competitive fundraising environment in which to be effective.

In direct response to some of these challenges, the United Way of America, in the late 1990s, encouraged their local United Way affiliates to recreate themselves by adopting a Community Impact model of philanthropy. Specifically the community impact model seeks to change long standing practices of how resources are raised and distributed, moving from long patterns of historical allocations to partner agencies to open competitive funding. In doing so the model adopts the basic performance management principles of the last decade that resources should be allocated through a competitive process to those organizations that can identify outcomes.

Although United Ways face intense pressure to make these significant changes, the institutionalized nature of many of these network practices may make it difficult for United Ways to change (Kim, Oh, & Swaminathan, 2006; Fox-Wolfgramm, Boal, & Hunt, 1998). Traditions may create disincentives and barriers to future change (Stinchcombe, 1983). In addition, while resources are needed for large scale change, strong performing organizations may be less likely to be entrepreneurs than weak performing organizations. Weak organizations may have greater incentives to change and less to lose from failure.

This research seeks to fill gaps in our understanding of the processes that shape institutionalized philanthropic practices in local communities. Specifically this paper draws upon concepts of institutional entrepreneurship to explore the process by which macro economic factors, characterized as environmental jolts, shape local United Way systems efforts to adopt community impact—a radical organization change. Ultimately, while our research is a case study of change in 6 American communities, our findings have implications for general theory building in the third sector and our understanding of how the economic downturn will affect philanthropic behavior. From a theoretical perspective, our research suggests that the resource dependence of nonprofit organizations may hinder the ability of successful organizations to pursue radical change. Philanthropic traditions that buffer the effect of environmental jolts may also limit efforts to move towards a more competitive and performance based system. In contrast those communities that have the lowest levels of philanthropic stock may, out of desperation, be more likely to adopt radical changes in philanthropic practices. Such radical changes may be more likely to throw the existing network into chaos and disarray. Additional research is also needed to explore who are the organizational winners and losers when United Way systems become open, competitive networks.

Works Cited

