Centralization in Nonprofit Organizations: Reducing the Role of Citizen Participation?

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Locating the issue within a wider literature:

While the third sector encompasses great variety, it is comprised of organizations with distinctive characteristics, identified by Salamon (1999) as private, organized entities; non-profit distributing; self-governing; voluntary; and of public benefit. Other notable attributes include creativity and experimentation, program variety and method heterogeneity, high involvement participation and volunteerism (Hwang & Powell, 2009), discretion and autonomy (O’Neill & Young, 1988), cooperative above competitive tendencies (Bush, 1992; Wilson, 1992) and more expressive (than instrumental) orientation (Frumkin, 2002; Knutsen & Brower, 2010). Taken together, we see nonprofit organizations as a nexus of citizen participation, enabling many forms of voluntary service including advocating for social change and actively shaping agendas and programs within communities.

A vehicle for substantial citizen influence is through participation on nonprofit boards of directors. Numerous studies reveal commonly recognized key roles for boards, recently prioritized by Brown & Guo (2010) as fund development, strategy and planning, financial oversight, public relations, board member vitality, and policy oversight. Decisions around these central functions are instrumental to nonprofit activities, providing a direct link for citizen impact in their community within the scope of the organization’s domain.

Statement of empirical concern:

At issue in this study is the potential reduction of significant citizen participation and influence due to increasing centralization in nonprofit organizations. A confluence of factors – including professionalism, evolving major funder expectations, capacity building initiatives, availability of IT “solutions”, economic hardship and increased competition for resources – pressure nonprofits to become more centralized. Centralization entails upper layers of professional staff creating formalization, standardization, and ultimately bureaucracy which can squeeze citizen participants out of meaningful roles, while also eroding hallmark characteristics of the nonprofit form.

Main arguments and supporting evidence:

Professionalism – reliance on paid, credentialed employees and their mindsets of rationalized organizations – is a widespread trend, yet starkly notable in nonprofits which are rooted in traditions of citizen participation and fluid organization (Hwang & Powell, 2009). Professionalism is an important facet of capacity building, increasingly instrumental for major foundation (Hwang & Powell, 2009; Wing, 2004) and government funding (Cairns, Harris & Young, 2005; Suarez, 2011). Capacity building aims at sustained ability to accomplish mission, and is commonly operationalized through training, IT, scale efficiency, and incorporating planning and quantitative evaluation programs (Cairns, Harris & Young, 2005; Letts, Ryan & Grossman, 1999; Shore, 1999; Wing, 2004). The infrastructure initiatives often entail sizable investment, competing internally with budgets for charitable operations (Hwang & Powell, 2009; Wagner, 2003). Yet “the new landscape” (Ryan, 1999, pg. 127) of increased competition with for-profit as well as nonprofit organizations has furthered adoption of these more business-like strategies, structures, and processes (Drucker, 1992; Dym & Hutson, 2005; Emerson & Twerksy, 1996; Frumkin & Andre-Clark, 2000; Kearns, 2000; Wagner, 2003), as nonprofits seek funds from in a changing marketplace.

Professionalism, capacity building infrastructure, and incorporation of rationalized business practices push the nonprofit toward greater centralization. A centralized organization can be simply defined as an “organizational setup whereby the authority to make important decisions is retained by managers at the top of the hierarchy” (Jones, 2007, pg. 101). A potential side-effect
is truncated roles for citizen participants on the board. For example, Miller-Millesen (2003) hypothesized that when executive staff is professionalized, nonprofit boards are less likely to engage in the key roles related to mission and purpose determination, program oversight, strategic planning, fiscal control and evaluation of the CEO; rather, the board role becomes skewed toward fund raising and enhancing the nonprofit’s image. Centralization and a larger organizational infrastructure would also reduce the number of boards on which citizens have the opportunity to serve, as smaller decentralized units are consolidated and brought under a central authority and board, further reducing local decision-making roles. Such impacts of centralization seem at odds with distinguishing nonprofit attributes including high involvement participation and volunteerism, program and method heterogeneity, creativity and experimentation (Hwang & Powell, 2009).

Empirical approach:

A case study approach is employed to illustrate specific manifestations of nonprofit centralization, and to explore impacts on key organizational processes and outcomes. The focal organization is a large U.S.-based nonprofit nearing completion of a momentous restructuring process. Data sources include public documents and archival data at the national, regional, and local levels, and interviews at regional and local levels with current and past board members, key executive and operational staff. Results are synthesized with findings of related studies.

Main conclusions and their relevance to an international audience:

Results of this study illuminate and examine outcomes of centralization specific to citizen participation through board of director roles. The study suggests that astute appreciation for both advantages and disadvantages of centralization is needed, with particular attention to maintaining desired distinctive nonprofit characteristics and preserving key roles of citizen participation.